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NATIONAL ECONOMIC POLICY

RIGHTS OF ENTERPRISES TO INDEPENDENT ACTIONS DISCUSSED

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 5, 20 May 79
pp 68-78 HK

[Article by Kuang Rian [6782 2480 1344] and Xiao Liang [2556 0081]:
"On the Law of Value and the Right of Enterprises to Independent Actions"]

[Text] I. Economic Reform Should Begin With Recognition of Enterprises' Right to Independent Actions

To meet the need of realizing the four modernizations, people are now studying how to reform our system of economic management while simultaneously readjusting the national economy as a whole.

It appears that a problem at the core of reforming the economic management system is to change the futile attempt of the state to manage all enterprises through mandatory direct plans and recognize that the products of enterprises owned by the whole people and those exchanged between similar enterprises are commodities. To this end, it is imperative to insure that the enterprises owned by the whole people enjoy the position and right of independent commodity producers.

It may be said that our country's enterprises owned by the whole people (hereinafter called enterprises in brief) enjoy no rights with the result that they can neither apply their strength nor take steps. As stated in the "communique" of the 3d plenum of the 11th party congress, "over-centralization of power is a serious defect in our present system of economic management. We should boldly delegate the power and let localities and agricultural and industrial enterprises enjoy more right to independent actions under unified state plans." We believe that the key to delegating power lies with enterprises, and that reform of the system of economic management should begin with giving enterprises their due rights of independent action.

As we know, enterprises are primary organizations of the national economy and the basic units organizing social production and circulation: enterprise operations are closely connected with the operations in various fields.

Therefore, only by solving enterprise problems can we grasp the keypoint and provide an objective basis and support for reforming operations in various fields. In reforming all rules and regulations, organizations, systems and work methods, whether within or without enterprises, the criterion should be whether the reform is favorable to enterprise production. In other words, whatever is favorable to technique innovation and production development should be upheld; whatever is unfavorable to such things should be reformed. Only by so doing can we free ourselves from always going the circle of central and local centralization or decentralization of power when studying how to improve the system of economic management. We always repeated the reform with little results. Only by so doing can we expect to make some progress in reform.

However, it is a very complicated problem to give enterprises their due rights of independent action in operation and management under unified state plans or under the guidance of social plans and involves the working relations of all sides, the higher and lower level, the right and the left. Involved here are both theoretical questions which should be studied and explored to unify understanding and many practical problems that must be taken seriously and solved one by one. In this article, we can only discuss some questions of theory and knowledge, hoping that valuable opinions will come from the public after this discussion.

II. The Position of Enterprises as Independent Producers Should Be Recognized

Before solving the problem of enterprise rights, we should first of all solve the problem of position and rule of enterprises in the national economy as a whole.

When Lin Biao and the "gang of four" were going against commonsense rule, they kept publicizing this view: enterprises are not merely economic organizations and production units; more importantly, they are the position of proletarian dictatorship. Actually, on the pretext of implementing proletarian dictatorship at the basis stratum, they denied the basic attribute of socialist enterprises as production organizations and economic units. Their point of view is obviously very absurd. Let us ask: If enterprises are organs of dictatorship and not economic organizations and production units, what then is the distinction between them and other organizations? If the central task of enterprises, like factories and farms, is not to develop production or increase social wealth, why should society operate them?

However, refutation of this absurd theory does not amount to a complete solution to the problem of position, character and role of enterprises in the national economy.

Marxism holds that property relations of the means of production run through each aspect of production relations. Marx said: "To define bourgeois property is nothing but a description of the total social relations of

bourgeois production." (Collected Works of Marx and Engels, "The Poverty of Philosophy," p 189) This is also true of the socialist relations of production. Therefore, since ownership is different, so are the position, character and role of enterprises. Capitalist enterprises are owned by individual capitalists or capitalist groups; consequently, capitalist enterprises themselves are integral, independent units of production and operation, and an enterprise's rights to own, use, operate and manage the means of production are, in general, directly integrated with ownership. Relations between enterprises are those between different capitalists and capitalist groups. Socialist enterprises are different. Their means of production are not owned by anyone in the enterprise. So far as enterprises owned by the whole people are concerned, the means of production are not owned by anyone in the enterprise but are owned by the whole people of society. They are also different from the enterprises now collectively owned by the working people in our country. The means of production owned by the collective may be operated and managed directly by the collective units concerned. The means of production owned by the whole people are so diversified and numerous that they cannot be operated and managed directly by society and the state and can only be scattered among various economic units (that is enterprises) for operation and management. That is, they are owned, used and managed respectively by these economic units. Thus, under conditions of ownership by the whole people, ownership of the means of production is basically separated from the rights to own, use, operate and manage them. The means of production are owned by the whole people. This is manifested in the following: enterprises must subordinate themselves to the guidance of the state and social plans that embody the interests and will of the whole working people and must fulfill the plans guided by the state or plans suited to social needs. These means of production and products are, in the final analysis, owned by the whole people together. Enterprises have no right to transfer or dispose of them arbitrarily beyond the limit set by law. These means of production are owned, used, operated and managed respectively by various enterprises. This is expressed in the following: economically and legally, enterprises are individual production units independent in operation but within the system of the whole people's ownership of the means of production; they have the right to independently manage and use the production (operation) funds (including fixed funds, revolving funds and other enterprise funds) with which society and the state entrust them as well as the laborers needed for production purposes (or circulation purposes) and recruited with approval of society and the state: they should assume full responsibility for all the production (operation) funds they own and for their operational effect.

The means of production owned by the whole people are owned, used, operated and managed by enterprises. This shows that enterprises have dual status. On the one hand, they are owned by the whole people. They are a link and component under the ownership by the whole people. The means of production they possess in the final analysis are owned by the whole people together.

On the other hand, they have the status and position of independent producers; in operation and management, they are units independent in character and based on ownership by the whole people.

Comrade Mao Zedong pointed out that socialist enterprises owned by the whole people have "independence under unified leadership." (Selected Works of Mao Zedong, "On Ten Major Relations," Vol 5, p 273) The so-called "unified leadership" means that enterprises are socialist ones owned by the whole people and that they should uphold and subordinate themselves to the unified leadership of society and the state and may not separate themselves from this leadership. The so-called independence means independence under unified leadership as mentioned above, and not the comparatively complete independence of enterprises collectively owned by the working people.

There are three reasons why socialist enterprises owned by the whole people should have "independence under unified leadership." The first is that each is a link in the chain of social division of labor in the socialist national economy. The products turned out by enterprises are different in variety, kind and specifications. Consequently, they have their independent production processes and necessarily have their distinctive features in terms of production techniques, economy and natural conditions. This determines their independence in production operation. Only when they have this independence can enterprises rationally organize production on their own initiative and according to their conditions instead of arranging for a unified organization at the higher level to manage all these activities in every detail. The second reason is that as production operation units, enterprises must offset their expenditures with their income, carry out independent business accounting and assume responsibility for their own profits and losses, and strive for greater economic effect. If an enterprise has lost money in business momentarily or for a short time, it must economically and legally assume the debt and responsibility for paying the interest and repay its loans when it has made profits following readjustment. Lenin said: "Trusts and enterprises are built on the foundation of business accounting precisely to make them assume responsibility and full responsibility at that so that their enterprises will not lose money in business." (Collected Works of Lenin, "To People's Committee of Finance," Vol 35, p 549) Comrade Mao Zedong also said that it would be necessary to improve the organization and management of factories, strengthen business accounting and "operate all factories along the enterprise line." ("Financial Question and Economic Question," Liberation Publishing Agency 1944 Edition, p 114). Without the right to carry out independent business accounting, which signifies assumption of responsibility for their own profits and losses, enterprises cannot be operated along the enterprise line and business accounting cannot be carried out. The third reason is that responsibility and rights are indivisible. Since enterprises assume responsibility for their operations and carry out independent business accounting, they are economically responsible to

society, the state and the people, and must fulfill the plans needed by the society and the state and furnish surplus products. But to do this they must be given corresponding rights of operation and management. This not only includes the rights of production command and technical management but also the right to use fixed assets, revolving funds and other funds (after the revolving supplies and fixed equipment necessary for the enterprises are determined). It also includes permission for enterprises to exchange their products with other enterprises on the principle of equivalent exchange and in the form of commodity and to use their sales income to make good their production consumption. This also means that the responsibility the enterprises assume toward the society and the state must be identical with the right the society and the state give to the enterprises.

It follows that this enterprise independence is a necessity determined by the objective needs of socialist production and reproduction. It is not a question of whether to give or not; it is an independence that must be recognized. Nor is it a question of enlarging the independence; it is a question of giving it back to the enterprises.

Regrettably, this enterprise independence is not respected or recognized in actual life. This is expressed in the attitude of comrades in the leading state economic organs and many economic departments, who often regard enterprises as accessories and abacus beads of higher organs, accessories and beads that can only move when pushed. Enterprises do not have much right to independent actions either with respect to supply, production and marketing or to personnel, finance and supplies. Enterprise production and operation go on according to the plans drawn up by the higher level; leading state economic organs and departments are to enforce state monopoly for purchases and sales of enterprise products and to enforce unified receipt and expenditure of enterprise funds; enterprises are to deliver all their income to the state and give the state an expenditure statement, and transfer of enterprise labor force is to be done according to the unified plan of assignment of labor departments with enterprises having no right to deal with this matter. Outwardly, economic contracts are made between enterprises but actually things are done according to the intentions of higher levels just as "marriages are arranged by parents and matchmakers." How can an enterprise bring its enthusiasm and initiative into play under such circumstances?

Why is the independence of enterprises under unified leadership not recognized in actual work? The reason is that some of our comrades have a one-sided understanding of ownership by the whole people. They think that ownership by the whole people means ownership by the state, that is, a state-operated economy. In a state-operated economy, the state economic organs that are not separated from state power should manage and operate, under unified plans, all the means of production owned by the state and should make unified "transfers" of products and enforce unified receipt and expenditure of funds. Consequently, enterprises should obey the state and its state power organs in everything. Actually, obeying the state

means mainly obeying those leading central economic organs which are agents of ownership by the state, or the leading economic organs of provinces, municipalities and autonomous regions. These leading economic organs often combine and use the rights to possess, use and manage the means of production owned by the whole people without understanding that enterprises are primary units owned by the whole people as well as relatively independent units of management and operation. (In passing, it should be noted that under present-level conditions of productive forces, our ownership by the whole people is not perfect ownership by the whole people but a sort of communal ownership of social ownership--a combination of whole people's ownership and collective ownership with emphasis on whole people's ownership. Thus, the independence of enterprises in operation and management actually embodies an enterprise's possession to a certain degree of the means of production.) Thus, they pay attention only to the aspect of unifying the rights to own, use and manage the means of production and overlook the aspect of necessarily separating ownership of the means of production from the rights to own, use, operate and manage the means of production under conditions of ownership by the whole people. Therefore, without theoretically clarifying the objective necessity of enterprise independence under unified leadership and without making it clear that ownership by the whole people is a unity of opposites--ownership of the means of production on the one hand and the rights to own, use and operate and manage the means of production on the other--it is impossible to recognize the position of enterprises as independent producers.

III. Relations Between Enterprises Should Be Recognized as Ones Between Commodities and Money

If we only recognize the position of enterprises owned by the whole people as independent producers and do not recognize that the products turned out by enterprises are commodities and the economic relations between enterprises are those between commodities and money, then we will again deny that enterprises enjoy the position of independent production operators within the system of ownership by the whole people and under unified guidance.

As mentioned above, under the capitalist system, enterprises themselves are integral, independent commodity producers. The relationship between enterprises is one between commodity producers and, consequently, also a commodity-money relationship within capitalist enterprises. Socialist enterprises are different from capitalist ones. However, this difference is manifested primarily by the difference of ownership and by the different character of relations between commodity and money that is determined by the difference of ownership. It is not manifested as one between capitalist enterprises that are commodity producers and socialist enterprises that are not.

As we know, the relations between capital and wage labor existing in capitalist enterprises and those between laborers who create surplus products and capitalists who possess the surplus products without compensation do not exist in socialist enterprises. Socialist enterprises are

under communal ownership with laborers owning the means of production together. On the basis of this communal ownership, laborers are integrated with the means of production. Therefore, commodity production and exchange carried out by socialist enterprises are based on communal ownership of the means of production. This form of commodity production and exchange is obviously different from the capitalist form of commodity production and exchange.

However, our former discourses on the socialist form of commodity production and exchange were, in most cases, premised and conditioned by Comrade Stalin's theory that two forms of communal ownership exist. Both the collective farms referred to by Stalin and the basic accounting units of our rural people's communes are collectively owned by the working people. In both cases, the means of production are owned, used, controlled and managed by the working people of communes together. The implications of Stalin's interpretation of the form of ownership of the means of production by the whole people are not quite clear. It is necessary to say a few words here about his argument that ownership by the whole people is in the form of state ownership, an argument that is circulating far and wide and exercising great influence. The "form of ownership by the state, namely, the whole people" mentioned by Stalin actually refers to state ownership "which can only control the products of state enterprises." ("Problems of a Socialist Economy in the Soviet Union," People's Publishing House, 1961 edition, p 12) Members of collective farms did not take part in production and distribution in enterprises owned by the state. Therefore, while the economy owned by the state was politically owned and possessed by the socialist state--representative of the whole body of working people including members of collective farms--it economically did not reflect that as part of the working people the collective peasants had the right to take part in owning, possessing, using and managing these means of production. Consequently, it was an imperfect form of ownership by the whole people because the collective peasants were not actually included. Even so, this imperfect form of ownership by the whole people is still state ownership of the economy because it is integrated with state power and the state can give it orders that are virtually mandatory. Because of this, economic plans and economic means are mandatory and not purely economic in character.

According to Stalin, a socialist commodity production and a commodity exchange are preserved and exist only because such a form of collective ownership as a collective farm exists and because the collective farms are willing to exchange their produce for the commodities they need of different use value. Thus, commodity production is a thing outside state ownership and is limited to the means of subsistence. Stalin said: "Anyway, the means of production under our country's system cannot be placed in the category of commodities." ("Problems of Socialist Economy in Soviet Union," People's Publishing House, 1961 edition, p 41) This argument of Stalin's leaves a loophole: no internal cause or basis of commodity production

exists in a state-operated economy owned by the whole people; only when collective farms are willing to exchange their commodities for those of a state-operated economy they need, can the products of a state-operated economy be transformed into commodities just as "the means of production can be turned into commodities in the true sense of the word and really sold" in foreign trade. If so, when the collective farms are only willing to exchange their commodities for the means of production (like tractors) instead of the means of subsistence that are turned out by the state-operated economy, are not the means of production (turned out by the state-operated economy) also transformed into commodities? According to this logic, relations between commodity and money do not exist among various enterprises owned by the state, and no conclusion, even from the exchange of the means of subsistence among various enterprises owned by the state, can be drawn that a commodity exchange exists. Why are value and price factors to be considered when making exchanges between various enterprises owned by the state? Stalin said, "It is for pricing, accounting, computing enterprise profits and losses, examining and supervising enterprises." ("Problems of a Socialist Economy in the Soviet Union," People's Publishing House, 1961 edition, p 41) Furthermore, Stalin said that in the domestic field of economic circulation, all means of production have lost their commodity characteristic, are no longer commodities, are beyond the action of the law of value and merely preserve the shells (pricing and so forth) of commodities. In fact, this argument does not hold water. In practice, an approach made from this standpoint has brought very undesirable consequences to our economic life. Some of our enterprises do not carry out business accounting, care nothing about cost consumption and do not calculate profits and losses. The reason is that the value of their "products" is self-"realized" without being recognized by society. For example, as a result of state monopoly for purchase and sale enforced on this theoretical basis with regard to the products turned out by enterprises, quantities of products have been stockpiled; some of these products are "means of production" not needed by users, that is, "means of production" having no use value, or are "means of subsistence" whose use value is very low. But these products are taken as products that have fulfilled "production value" plans. "Profits" on them have even been delivered to the state. It is thus not difficult to imagine what the actual significance of such production is. If what an enterprise produces is to be recognized as a commodity, it must be really purchased and recognized by the consumer. Then there will be no such false phenomena. As a further example, the theory that commodity production and commodity exchange do not exist within the system of state ownership is also taken as the basis of unified receipt and expenditure of enterprise finance. With funds controlled and defrayed by the state under unified plans, enterprises need not carry out independent accounting nor calculate their profits and losses. Even if profits and losses are calculated, it is not for the purpose of meeting internal needs. Thus, there is no serious need to do it.

It may be seen from this that if enterprises are made to assume responsibility for their profits and losses in operation and management and to

assume economic responsibility for their profits, it is imperative to change the whole set of methods including state monopoly for purchases and sales, unified receipts and expenditures of funds, and freedom of primary units from assuming responsibility for their own profits and losses, from carrying out business accounting and from taking the initiative. It is also imperative to put into practice a system of economic management, under which the position of enterprises as independent commodity producers is recognized and commodity production and commodity exchange are recognized.

Practice has proven that if enterprises owned by the whole people are not recognized as independent commodity producers under unified leadership and are not given the position due to independent commodity producers, they will have no rights and no means to draw up their production plans according to state and social needs nor any rights and means to organize production on the principle of keeping the value of some of their products below the social value and to carry on commodity exchange on the principle of equivalent exchange. It will be impossible to bring into full play the enthusiasm and initiative of the enterprises and their staff and workers. At the same time, enterprises will find it difficult to carry out business accounting which signifies assumption of responsibility for their own profits and losses.

At present, some comrades do not recognize socialist enterprises owned by the whole people as independent commodity producers under unified leadership. They are afraid that development of a commodity economy will lead to capitalism. In fact, this worry is unnecessary. As long as the character of communal ownership is not changed and relations between capital and wage labor do not arise (here a state capitalist economy operated jointly with foreign capitalists under given conditions is excluded from discussion), recognition of socialist enterprises as independent commodity producers will not lead to capitalism. As to the appropriate form of planned economy that should be adopted by enterprises owned by the whole people, we believe that fundamental criterion for judging a form of plan is whether it reflects the requirements of the basic laws of socialist economy and other economic laws in practice and whether it can insure high-rate, sustained, steady growth of our national economy. If this criterion is used, then the ideal form of our socialist planned economy will be to take the plans of independent commodity-producing enterprises as the basis of the plans of our state and society, carry out consultations and readjustment level by level on this basis and achieve a comprehensive balance. At the same time, in mapping out the plans of the state or society, it is imperative to concentrate the inspirations of the whole nation and take account of needs and possibilities. Plans should set forth principled opinions, mainly concerning the orientation of economic development and important relationships of economic proportions. Long-ranged and interim plans as well as a few important capital construction plans should be taken as the leading factor in guiding the enterprise plans. That is to say, as long as we do not metaphysically draw a

distinction between a planned and a commodity economy, we are entirely able to draw up, on the basis of developing a commodity economy and in accordance with the requirement of the law of value, plans that embody the will of the whole people and reflect and meet the needs of society and the people.

If we want enterprises to become real and not nominal commodity producers under the system of ownership by the whole people, that is, commodity producers assuming responsibility for their own profits and losses, we should allow enterprises in principle to compete with one another on the socialist market according to the needs of the commodity-money relationship itself. Marx said: "In most cases of productive labor, mere social contact will give rise to a competitive spirit and unique enthusiasm, thereby raising the individual working efficiency of each man." (Capital, Vol 1, pp 562-563) Furthermore, Marx said: "Social division of labor sets the commodity producers against one another. They recognize no other authority than the authority of competition; they recognize only the coercion imposed on them by the pressure of their mutual interests." (Capital, Vol 1, p 394) This principle is basically applicable to socialist enterprises. Capitalist competition means survival of the fittest--the big fish eating the small, the winner climbing to the sky and the loser coming to ruin. Ours is a socialist communal ownership. The competition based on communal ownership will not develop, nor will it be allowed to develop, into a capitalist way of competition which means swallowing the weak and causing the loser to come to ruin. Through survival of the fittest, the advanced will be made more advanced and the backward will be compelled to change their backwardness; otherwise, they will be in danger of being eliminated. What would be wrong if the advanced and the backward became different in terms of material interests. It must be remembered that when enterprises are given the position of independent commodity producers assuming responsibility for their own profits and losses, enterprises assume greater responsibility and enjoy greater rights and greater freedom in supply, production and marketing. For example, why should enterprises not select the raw materials they need? Commodities produced by enterprises should be selected by the consumers and users for purchase. Only when commodities meet their needs can it be said they are recognized by society and the aim of socialist production is achieved. Is this not a very good thing? Furthermore, if enterprises are allowed to appear as independent commodity producers, the principle of compensation use should naturally be applied to the fixed assets and revolving funds. Application of this principle will prompt enterprises to use their funds frugally, carry out technical innovations and strive to keep their production costs below social production costs. When all enterprises strive to reduce their production costs, the production costs of social commodities as a whole will come down, thereby helping to raise the production level. Therefore, in solving the problem of the prescribed rights of enterprises, we must, in theory and practice, recognize socialist enterprises as independent commodity producers under unified leadership

and belonging to the system of ownership by the whole people. We must allow enterprises to enjoy the position and right of commodity producers and carry out commodity production and exchange among them.

IV. By Showing Concern to Their Economic Interests, Give Enterprises Dynamic to Develop Production

It is still not enough if socialist enterprises have independence but no initiative and if they lack economic dynamic to do their best to develop production, operate and manage. Where then does the internal economic dynamic of socialist enterprises come from? It can come only when the whole body of laborers including enterprise leaders show concern for material interests.

Fundamentally speaking, all relations of production are of the people's economic interests. Only under different relations of production do different relations exist between people. People carry on production in definite relations of production to realize their common economic interests. Under capitalist relations of production, capitalists are possessors of the means of production. They build enterprises and organize production to squeeze out the maximum surplus value. Consequently, producing and chasing surplus value is the direct aim and sole dynamic of capitalist production. Under socialist relations of production, the working people are masters of the means of production and produce to insure that the growing material and spiritual needs of the state and the people are met to the greatest extent. Consequently, meeting the needs is the production aim and direct exciting cause of socialism. Comrade Stalin pointed out that the main characteristic and requirement of the basic law of socialism are "To insure that the ever growing material and cultural needs of the society as a whole are met to the greatest extent by ceaselessly increasing and perfecting socialist production on a highly technical foundation." ("Problems of a Socialist Economy in the Soviet Union," People's Publishing House, 1961 edition, p 31) Conversely, if socialist production is not for the purpose of insuring maximum satisfaction of the material and spiritual needs of the state and the people and if it does not bring material interests to the laborers, it is not worthy of being called socialist production. Here is the superiority of socialist production and is also the fundamental reason why socialist production can develop at a great rate.

However, to achieve the aim of socialist production we must implement the principle of material interests according to the requirement of the law of distribution according to work. This demands that the principle of equivalent pay for equivalent labor (after making various deductions) is implemented when distributing consumer goods, and that the production operation of enterprises is linked to the material interests of every worker so that the interests of the state, of production units and of individuals are correctly combined. In this way, the enthusiasm and initiative of all can be brought into play so the state will increase its income, the production units will increase the enterprise funds or percentage of profits retained and the laborers will increase their personal income. This will in turn give impetus to the fulfillment and overfulfillment of plans.

When it comes to bringing the enthusiasm and initiative of enterprises into play, politico-ideological work is very important and spiritual encouragement is indispensable. But politico-ideological work and spiritual encouragement can play actual and sustained, not empty and momentary, roles only when they are integrated with the principle of material interests. The two are united, not contradictory.

We may imagine that if the operational effect of an enterprise is integrated with the personal interests of each worker in the enterprise, if enterprises obtain different material interests as a result of different effect of operation, if some areas, enterprises and workers get more income and have a better life as a result of subjective efforts and greater production achievements, and if a policy of rewards and penalties is carried out and embodied in enterprise activities, a situation will arise in which all people will show concern for the collective, pay attention to efficiency, encourage and supervise each other, and both leaders and the masses will try to make technical progress. Endless inventions and creations will naturally be made and good methods of organizing production will be devised. The normal activities and relations of enterprises with outsiders will naturally be adjusted rationally, and our national economy will certainly be full of vitality and developed with vigor.

Lenin said: "It is imperative to base all major branches of the national economy on the concern for individual interests. Discuss together, appoint special persons to assume responsibility. Not knowing how to implement this principle, we come to grief at each step." (Collected Works of Lenin, "New Economic Policy and the Task of Political Education Bureau," Vol 33, p 51) Basing all major branches of the national economy on the concern for individual interests means integrating the interest of production development with the individual interests of laborers and making all our work embody this integration. Discussing together and appointing special people to assume responsibility means putting democratic management into practice, letting the masses have the rights of speech, decision and political and economic supervision and, after making decisions, appointing special persons to assume responsibility for implementation. We have not achieved this and that is why we have been coming to grief all the time. But when we combine right, responsibility and interests through reform of economic management and when we implement the principle of material interests and the principle of democratic management in our actual work, the enthusiasm and initiative of enterprises and enterprise staffs and workers will certainly burst forth like the reservoir water after the gate is opened.

V. The Rights Enterprises Should Enjoy

In solving the problems found in enterprises, a distinction should be made between internal and external factors. Internal problems of enterprises

should be solved by office and factory workers in every possible way. External problems of enterprises should be solved by the society, state and enterprises concerned. Enterprises cannot be expected to solve them by getting rid of the external factors. It is precisely for the sake of fulfilling external conditions to solve the problem of developing enterprise production and improving technology that rights due to enterprises are to be given or reverted to enterprises.

What rights should enterprises enjoy? In principle, all rights due to socialist independent commodity producers should be given to enterprises. But the problem is very complicated and its solution has to go through a process. Conditions should be created and experiments made before popularizing the experience step by step. Our state is now devoting a definite time to readjusting the relations of proportion in the national economy. At the same time, steps are being taken to reform the economic system, continue readjustment of the existing enterprises and elevate the economic work as a whole to a much higher level. For this reason, the problem of enterprise rights may entirely be solved gradually in the course of readjustment. Below are some preliminary ideas we have in mind. They may not be perfect and proper.

1. With respect to production and production plans, under the guidance of the plans of the state and society, enterprises should have the right to map out their production plans according to the needs of the state, society and consumers (including those who place order abroad) and in light of their conditions. All things concerning enterprises are now arranged by higher levels and nothing can be done by the enterprises concerned without the approval of the higher level. The eight economic and technical targets set for the lower level are often contradictory to one another and, moreover, the targets often do not reflect the actual needs and cannot conform with the actual conditions of enterprises. Consequently, they cause enterprises many difficulties with the result that enterprises strive only to meet the requirements of targets and find it difficult to organize production according to the needs of society, the state, the market and consumers. From now on, pending major reform of the system of planning, enterprises can only have one higher leading body. It is most ideal for the higher unit to set only several targets (like quantity of production, variety, specifications, profit) for the lower level in light of different conditions of various trades and according to the needs of the state, society and consumers, and leave the other targets to be set by the enterprises concerned according to their specific conditions and under the premise of meeting the needs of society and the state. The objective is to achieve the maximum economic effect. Moreover, when giving assignments to the lower level the competent unit must insure supply of power and raw materials and leave no gaps.

Enterprises have the right to reject plans that are not backed by power and supplies,

Once plans are determined, enterprises should be given a free hand to do all things within their function and power to fulfill the plans. Higher organs should not interfere with the normal enterprise activities except to help them solve their difficulties and the problems arising from execution of their plans. At the same time, after fulfilling the original plans and when they are in possession of raw materials and labor power, the enterprises concerned should be allowed to increase production according to market, consumer and user needs. In the case of production activities outside the plans, the enterprises concerned may either divide the profits with the state on a percentage basis or retain all the profits made.

2. With respect to supply and marketing, enterprises should have the right to select and purchase the raw materials, materials, parts and accessories they need. Pending major reform of the present system of planning and the system of supply and commodity sales, we should first stop the gaps of raw materials, materials, parts, accessories and fuel power. As to the commodities produced, the enterprises concerned should have the right to make direct sales or to sell wholesale to retailers or wholesale stores or to enter into purchasing and marketing contracts to sell their commodities, providing they observe state laws and policies. They should be allowed to do so where production, processing and marketing form a single line. As to products outside the plans and unavoidable rejects and inferior goods, the enterprises concerned should be allowed to enjoy the right to dispose of them according to law or policy. Enterprises that shoulder the task of foreign trade should be allowed gradually to make direct contact with foreign businessmen, take part in talks, sign contracts and retain a percentage of foreign exchange.

3. With respect to financial rights, enterprises should have their own production (operation) funds, including fixed assets, funds and revolving funds, and their own foreign exchange and enterprise funds. They may apply for capital construction loans, temporary revolving fund loans and foreign exchange loans, and so forth. Moreover, within the limit of funds controlled by enterprises, the enterprises concerned should have the right to dispose of and control these funds by themselves. For the present, two problems call for urgent solution: 1) The amount of depreciation cost and major repair cost set aside is small and the proportion retained by the enterprises is small: this is not favorable to technical transformation and equipment regeneration. Besides, the costs available to enterprises are earmarked for exclusive purposes and cannot be put together to do things selectively. For this reason, rational but not lawful phenomena is widespread in enterprises. From now on, in addition to improving the present method of retaining and using depreciation and major repair costs, we might pool the various costs and divide them; one for production purposes and the other for worker amenities to be used according to the arrangement made by the enterprises themselves. In this connection, it is not advisable to subject enterprises to too much control. Of course, experiments have to be made and experience acquired before putting this

into practice. 2) The enterprise funds retained by enterprises as a result of fulfillment and overfulfillment of plans and the percentage of profits earned as a result of cooperation and production outside the plans should not be subject to too much restriction. Since these funds are owned by the enterprises concerned, the enterprises in principle should be allowed to control them (as to outlays for worker amenities, enterprise workers should discuss and decide how to use them). In addition, with respect to readjustment of wages, enterprises should have flexible rights up to a certain limit so that, before the state completes all-round readjustment, enterprises may promptly readjust the wages of those workers who distinguish themselves in performance and also those whose performance is particularly bad. In this way the principle of distribution according to work may be implemented more satisfactorily. Enterprises have the right to reject the so-called "social outlays" the higher unit and department require factories to assume. At the same time, the state should carry out some reform of the financial system so local governments will have steady sources of revenue to develop public utilities and welfare undertakings like urban traffic facilities, piped water, sewerage system, gas, housing, schools, commercial network, planting of trees, and so forth. These outlays should not be "collected" from enterprises.

4. Right to deal with personnel matters. Enterprises should have the right to select and use workers and technicians according to their production features and technical needs, along with the right to ask the labor department to transfer superfluous personnel for reassignment when labor productivity is raised and personnel are superfluous. This is necessary, particularly under our country's present conditions, when adoption of new technology and guarantee of full employment should be taken care of. Furthermore, enterprises should have the right to change their personnel for the better according to production features. Pending important reform of the system of planned management and wage management, we should consider giving the following prescribed rights to enterprises for trial as quickly as possible: 1) The right to select and employ workers. The labor department should recommend new workers to the enterprises for employment to change the method of "supplementing" the enterprises with personnel they do not need. Enterprises should be allowed to "lure away the employees of other organizations" by employing technical personnel (including engineers, economic specialists, accountants) who are urgently needed for enterprise production but cannot be readily trained by the enterprises, as well as certain urgently needed technicians. This will make it easier to discover talent and urge enterprises to use manpower rationally. It will also prompt us to remedy our defects in labor management and minimize the phenomenon of eating from the same big pot. 2) Enterprises should be given the right to dismiss workers from their jobs. A very small number of workers are doing mischief and making trouble simply because they believe their "iron rice bowls" and "rubber rice bowls" are unbreakable. If the former right of enterprises to dismiss workers from their jobs is restored, such phenomenon will certainly decrease considerably. Of course, enterprises should seek the approval of the trade unions at the corresponding level before dismissing workers and

send a report to the higher organ for record. (Where it is difficult to change trade in certain areas or departments, approval of the higher organ should be obtained.) Some people regard the inability to dismiss workers from their jobs as an expression of the superiority of the socialist system. It is a misinterpretation of the socialist system. The superiority of the socialist system in labor management should consist in opening production (circulation, labor service) channels, arranging manpower according to plans and in a rational way, and putting man to best use. Furthermore, of the enterprise workers who are made superfluous as a result of raising labor productivity and who, because of the law of nature, are not fit to stay in the enterprise, some should be ordered to retire according to regulations and some should be trained by the social and labor departments and placed under separate arrangements. The object is to put men to best use and insure their livelihood. Such is the superiority of the socialist system.

In short, if working conditions and the material foundation are to be provided for enterprises to assume responsibility for their own profits and losses and to carry on commodity production as independent commodity producers, enterprises must be given the right to organize and use manpower, material and financial resources. The so-called personnel, finance and supplies are actually labor power and the means of production: such are the basic conditions for organizing enterprise production. In principle, the selection, management, arrangement and use of these basic conditions cannot, under any circumstances, be decided by the higher organ. They must be decided by the enterprises concerned. Therefore, to give or revert rights to enterprises as independent commodity producers will certainly go a step further to set free and develop the productive forces of enterprises.

VI. Price Policy and Price Should Be Worked Out According to the Requirement of the Law of Value

Furthermore, if we want enterprises to enjoy the position and rights of independent commodity producers under unified leadership of the state, rationally handle the relations between the state, enterprise units and individuals, and correctly evaluate the effect of enterprise operation, we must seriously and fully readjust the system of commodity prices according to the requirements of the law of value and after investigation and study.

The greater part of commodity prices in our country take as their basis the prices that prevailed at the initial stage of liberation or during the period of socialist transformation. For years, the change in labor productivity of various trades and departments has given rise to changes in value. Prices of many commodities (including products which are still in the category of "transfer products") have deviated from value for a long time, thereby deviating from production price which represents a form of change of value. Because of this, many irrational phenomena have appeared.

Below, taking the labor productivity (calculated according to the total value of production) of the coal industry as 100, let us see the changes in labor productivity of other industrial departments:

	1952	1957	1966	1977
Coal industry	100	100	100	100
Petroleum industry	344	399	853	1,922
Electric power industry	269	273	528	929
Metallurgical industry	210	284	460	370
Chemical industry	107	165	474	532
Machine industry	89	118	215	312
Construction materials industry	59	64	148	174
Textile industry	338	256	430	590
Foodstuff industry	506	475	486	800

The labor productivity of the coal industry increased only by 12 percent between 1952 and 1977. In 1952, the labor productivity of the coal industry was higher than that of the machine industry and construction materials industry, but some 10 years later it was an industrial department with the lowest labor productivity. From the above table it may also be seen that the labor productivity of the textile industry and foodstuff industry was comparatively high in 1952 but the rate of its increase was not high in 25 years. In 25 years, the labor productivity of the petroleum industry increased at the greatest rate; next came the chemical industry and electric power industry. To be sure, uneven development of labor productivity among various departments is a natural trend, but such a great change in 25 years does contain a problem: deviation of price from value, that is from the production price. This is not to mention that in the case of some departments, less of the commodities is shifted in terms of materialized labor value, and that calculation of labor productivity according to the total value of production places such departments in a bad light.

Furthermore, let us compare our coal industry with the petroleum industry. As we know, the management levels of these departments are comparatively the same, the workers in both departments are hardworking and have great drive. However, the labor productivity of the petroleum industry was 2.44 times higher than that of the coal industry during 1952 and 18 times higher than during 1977. Apart from this, the coal industry has either suffered a loss or made very little profit in recent years. Yet, the profits made by the petroleum industry have been substantial all the time. Obviously here is a factor: The coal price is lower than value and the petroleum price higher than value. Under such circumstances, if we evaluate the two departments according to the capital-profit ratio and if we handle the relations of material interests between the state, production units and individuals by retaining a percentage of profit or retaining a percentage of profit according to the capital-profit ratio, will a situation not arise in which enterprises are almost the same in terms of labor efforts and level of operation and management but not quite the same in terms of collective welfare and individual income?

As we know, price is a social evaluation of the fruits of labor and production operation. If the prices of commodities are not based on production prices, it would be difficult to compare different departments or enterprises (producing the same type of products) of the same department under the same conditions. Consequently, we cannot take the capital-profit ratio as the objective criterion to evaluate the economic effect. Only by taking the production price as the basis of price can the production and operation of various departments and various enterprises be comprehensively manifested through the actual capital-profit ratio. To be sure, it will be necessary to make preparations and carry out experiments on a big scale to do this. As to why socialist prices should be based on the production price, we will not dwell on the question further because it is not the keypoint of our discussion.

Under the present policy of maintaining basic, steady commodity prices, in addition to continuing to raise the prices according to plan of some farm produce which are too low and gradually lowering the prices of the means of production for agricultural purposes (this is also more important to state farms, forests, stockbreeding farms), we should consider adopting different policies toward different commodities. 1) The state is to fix prices or ceiling prices for important supplies, for example, purchasing prices and the highest selling prices of fuels, electric power and raw materials (pig iron) necessary for production and everyday life. 2) As to the secondary means of production and means of subsistence, we should consider fixing floating prices of a certain limit and permitting enterprises to sell at lower prices on the basis of lowering the production cost. 3) Let producers fix their prices and the producers and sellers fix the prices through consultations. As prices involve several hundred thousand enterprises and the livelihood of millions upon millions of workers, any change in price should be seriously studied and investigated. Readjustment of any price policy must insure that it will facilitate technical innovation and development of production without lowering the living standard of the masses.

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NATIONAL ECONOMIC POLICY

PROBLEM OF DISPARITY BETWEEN PRICE, VALUE ANALYZED

Beijing GUANGMING RIBAO in Chinese 8 Apr 79 p 3

[Article by Zhang Chunyin [1728 4783 7299] and Jia Lurang [6328 1462 6245]: "Some Ideas About Price Reform"]

[Text] The pricing problem is a major issue which concerns the development of the entire national economy. In order to speed up the pace of the four modernizations program, the price reform problem has also been placed on the order of the day.

Since liberation, we have accomplished quite a lot in our work on pricing. Prices have remained stable for a long time; the prices of the people's daily necessities (including food grain, cotton, oil and cloth), in particular, have always been stable. As a whole, the price "scissors" of industrial and agricultural products have been decreasing. But over the past ten-odd years, due to the disruptive activities of Lin Biao and the "gang of four," our planning statistics work which had a relatively weak foundation in the first place--including pricing work--was gravely ruined. Now there are quite a few products whose costs we do not know at all. In the course of production, the labor productivity of various kinds of products has been increasing for many years at different rates, but no corresponding adjustments in the price parities between the products have been made. The prices of some products have been allowed to drift completely without control. Thus, in the current price system, there is a disparity between the prices of a considerable portion of products and the cost of social labor, which has caused a series of unfavorable consequences in all the departments of the socialist economy.

Then, what sort of calamities have been brought upon the socialist economy by the disparity between price and social labor cost?

First, the disparity between the prices of the products and their values can lead to a series of false impressions in accounting, especially false profits or false losses in some production units. For example, for a long time, the price of coal in our country has been lower than the value of coal, and for a long time, the price of petroleum has been higher than its own value, which has brought about the false impression that the profits

and revenue created by each coal miner per annum. The low pricing of coal not only causes the coal industrial department to lose profits, but also causes industrial departments, such as railroad and thermal power departments which consume large quantities of coal, to make very high profits. Actually, a fairly large portion of the profits made by railroad and thermal power departments is not created by the workers of these departments at all; it is transferred from the value of coal created by the miners. This is the main reason why the railroad locomotives can be immediately switched from profitable units to non-profitable units when steam locomotives which run on coal are replaced by diesel locomotives. For example, in the first half of last year, a bus company implemented the system of rewarding gasoline savers by paying the staff and workers 20 percent of the amount of economized gasoline as a kind of bonus. Undoubtedly, this was an effective means of saving gasoline. But due to the fact that the current price of gasoline in our country is far above its value, thus the 20 percent bonus calculated according to the gasoline price is way above 20 percent of the economized gasoline value. If the economized fuel is coal instead of gasoline, and the same bonus system based on 20 percent of the economized amount is used, the result could be less than 10 percent in terms of the value of coal. This example shows that unreasonable prices can lead to unreasonable distribution.

The disparity between price and value can also cause a series of false impressions in the accounts of national economy. For instance, while most of the state revenue comes from industry, only a small portion comes from agriculture; so it seems that the contribution to the state by several hundred million peasants only amounts to such a small portion. Actually, the state not only amasses some of its capital funds directly from the peasants through agricultural taxation, it also gathers even more capital funds from the peasants through the price "scissors" of the industrial and agricultural products, which is a concealed and indirect form of burden.

Second, the disparity between the prices and values of products is detrimental to production, and can sometimes give rise to serious problems. Actual economic life shows that to a certain extent, the law of values can help regulate production. The low purchasing prices of agricultural products are bound to dampen the vast peasant population's enthusiasm for production. For a long time, our country's peasants have been earning very little profit or none at all from producing food grain, oil substances and cotton; some have even suffered from losses, even to such an extent that many commune brigades have been compelled to compensate their insufficient agricultural revenue with the profits gained from sideline occupations or transportation jobs, which is the most concrete example showing how low prices can lead to serious consequences in agricultural production. In industrial production under the ownership of the entire people, such problems also exist. Unreasonable prices may cause some enterprises to become interested in increasing the production of high output value and low cost products which can yield high profits, instead of increasing the production of products that are needed by the society but are of low output value, high cost and low profit. At present, the overall situation of our country's industrial department indicates that the basic industries (e.g., excavation industry) are losing

money whereas the processing industries are making money. If this kind of situation is not corrected, it will be detrimental to our efforts in remedying the current shortage of raw materials, fuel and power.

Third, the disparity between price and value also gravely affects socialist investments. If the product prices, raw material prices or transportation charges are not in parity with their values, many kinds of false impressions will arise, which will lead to wrong investment decisions. Take the example of building wrist watch factories: At present, the producer prices of watches in our country are on the high side, and many places throughout the country are competing to build watch factories. As the technical and management levels of these factories are not uniform, there is no way of insuring the quality of the wrist watches; and moreover, there is a sharp gap among the production costs of the various factories. The highest cost can be three times higher than the lowest cost. Even so, the technically poor and high-cost enterprises can also offset their expenditures with income revenue, and make fairly high profits as well. How can anyone fail to see that this is an enormous waste to the country? If the producer prices of watches can be set at a reasonable level based on the consumption of socially necessary labor, and if the state can add a suitable amount of investment to expand the production of technically advanced watch factories, would it not be even more conducive to the economical use of manpower and material resources, and thus help gain better investment results?

Fourth, the improper disparity between price and value causes two serious effects on consumption: (1) it affects the quantity and structure of commodity supplies; (2) it affects the commodity demands. For example, in the earlier period, the masses in the society needed such sundries as porcelain goods and iron pots; but due to the low prices, the related enterprises refused to produce the goods; instead, they produced industrial porcelain and mechanical cast pipes, which yield relatively high profits. Thus, for a long time, coarse porcelain bowls, iron pots, etc. were not available, and the civilians were forced to buy fine porcelain bowls, aluminium pots, which caused daily expenditures to go up considerably.

From the preceding information, we can see that the improper disparity between price and value can lead to serious effects in accounting, production, investment and consumption, and cause tremendous wastes of manpower and material resources. Thus, the price reform must be directed at bringing the planned prices of various products and their values as close to each other as possible.

By conscientious application of the law of values, we mean the following: To keep accounts of work as accurately as possible so as to enable proper distribution of social labor in the various departments of production; to make scientific evaluation and comparison of the labor costs of various products so as to produce the maximum number of products with minimum labor costs within the shortest possible time. All this can only be achieved if the social labor costs are reflected in the planned prices. Planned prices are means of accounting for the amount of work time. The price reform is

thus directed towards bringing the planned prices and the social labor costs of products as close as possible to each other, so as to give full scope to the accounting function of the planned prices.

The planned prices should be as close as possible to the values. But it is impossible to completely unify the prices and the labor costs of products. This is because in the course of production, labor productivity frequently changes, and the prices of products change every hour and moment. But prices which reflect the values remain stable for a period of time. Thus, there is bound to be a certain degree of disparity between prices and values.

Planned prices should be as close as possible to the values, but not absolutely. In a given period of time, and within a certain range, in order to accumulate capital funds, promote production and regulate demands, socialist countries may find it necessary to make use of the temporary disparity between prices and values so as to bring its leverage into play. This is because although production is planned in the socialist society, and supply and demand can be prebalanced, the state's economic management can not possibly cover the entire range of economic activities. Moreover, under the socialist system, collective ownership still exists. The consumer goods are still distributed according to work, and the production of state enterprises is still related to material interests. Such circumstances make it necessary and possible for socialist countries to keep the prices temporarily and in a limited way above or lower than the values of certain products in accordance with the political economic needs of each particular period and by conscientiously conforming to the demand and supply situation while reallocating the national revenue so as to promote production and regulate demand and supply. For example: Regarding the means of livelihood, there is no harm in having the state adopt the low price policy for such things as stationary and medicine which are used by the people, so as to popularize them and develop socialist cultural, educational and health work. The planned prices of such high-grade consumer goods as top-quality cigarettes, alcoholic beverages, and certain luxurious goods which do not affect the life of the broad masses of the people can be labelled under the high price policy so as to increase the state's accumulation of construction capital. Of course, both the low price policy and high price policy are kept within a certain limit. The planned prices of consumer goods can not be so low as to lead to waste, or so high that they cannot adapt to the level of the society's purchasing power, i.e., the products must be saleable. Regarding the means of production, the state can use the planned prices as leverage to encourage or restrict the use of certain means of production, and cause production and marketing to tend towards balance in a planned way. For instance, to meet the needs of production, the state can raise the price of copper and lower the price of aluminium to a suitable level, so as to encourage the replacement of copper with aluminium and thus save copper.

Planned prices should not only enable the accounting of work time, but also the redistribution of national revenue. The accounting and the redistribution roles of prices should be unified and contradictory at the same time. The

accounting of work time is the basic function of planned prices. The utilization of the disparity between price and value as leverage must be used only when it is really necessary, and great care must be exercised in keeping it within certain bounds. Moreover, this type of disparity must be localized and temporary. A socialist country does not always correct the unbalanced status between supply and demand by resorting to raising or lowering planned prices. Instead, the first step is to increase or decrease production. There are also other effective ways to solve the problem, such as planning supplies. In short, we should try our best to avoid unnecessary disparity between price and value.

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NATIONAL ECONOMIC POLICY

IMPORTANCE OF STRENGTHENING ENTERPRISE MANAGEMENT DISCUSSED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 1, 15 Jan 79
pp 10-13

[Article by Rong Wenzuo [2051 2429 0146] and Zhang Feng [1728 7685]: "A Look at the Importance of Strengthening Management From the Exhibition on Opposing Waste"]

[Text] Between August and October 1978, the leading group for reversing loss and increasing profit of the State Council and 16 departments on the economic front held in Beijing a National Exhibition on Opposing Waste. Taking the exposure and criticism of the "gang of four" as the key, the exhibition emphasized exposing the serious phenomena of waste and some typical cases on corruption, embezzlement and speculation in the past several years on the economic front. At the same time, it exhibited the advanced experiences with the Daqing oilfield and the Dazhai production brigade as representatives in running enterprises in a diligent and frugal manner and the moving figures and events on the economic front over the past 2 years in working in a big way and making progress swiftly, and in clearing up confusion and restoring what is correct.

This exhibition has a clear-cut stand. Its models are prominent and very persuasive. The many cases of corruption and waste in the economic sphere shocked and infuriated people. This exhibition serves as an indignant accusation against the crimes of Lin Biao and the "gang of four" in undermining the economy, as a vehement cry to the economic sphere to urgently eradicate all poisonous influences and strengthen management, and as a lively classroom in which to arouse the sense of responsibility in the broad masses of staff members and workers as masters in doing their duties and in making contributions to accelerating the realization of the four modernizations.

Here we would like to talk about our feelings on several prominent aspects:

(I) In the Light of the Cases of Corruption, Embezzlement and Speculation, Look at the Urgency and Importance of Rectifying Enterprises

The rectification of enterprises is the basic policy of clearing up confusion and restoring what is correct on the economic front. After the smashing of

the "gang of four," the economic front has firmly grasped enterprise rectification and scored outstanding achievements.

In the clearance movement, we discovered that the people who belonged to some faction or other in certain regions and enterprises were often active counter-revolutionaries as well as elements who undermined the socialist economy through engaging in corruption, embezzlement and speculation. In the several years during which he seized the leadership of the Hangzhou silk printing and dyeing complex, active counterrevolutionary Weng Senhe [5040 2773 7729] not only engaged in beating, smashing and looting which undermined production, but also obtained over 7,000 yuan through corruption and wasted over 20,000 yuan in gluttony and pleasure-seeking. He himself possessed a villa and five sedan cars and was a typical example of one leading an extremely decadent life.

As a result of the direct sabotage of people like Weng Senhe, production in the Hangzhou silk printing and dyeing complex had, since the second half of 1973, continued to drop until 1976, when the total output value was less than half of that of a normal year. The enterprise changed from profit-making to loss. In 3 years, the total amount of loss sustained was equivalent to the total investment made on that plant. In 1977, after Weng Senhe was removed, this plant rectified its leading group, strengthened enterprise management and swiftly reversed the condition of loss. Particularly after May 1978, the all-around completion of the eight major economic technical quotas was launched. The profit made in the 4 months from May to August was 15 percent higher than that of the entire year of 1977. The quality of the products was conspicuously raised. The plant joined the ranks of the advanced enterprises of Hangzhou Municipality.

In the light of the typical cases of some units, almost all the most harmful and powerful cliques engaged in corruption, embezzlement and speculation were connected with the bad elements who had infiltrated the enterprise leading groups. In Shuicheng Special District in Guizhou Province, Li Laiwei, deputy director of the grain bureau of that special district, headed a corruption and embezzlement clique which was primarily engaged in selling embezzled grain. They colluded with people inside and outside and linked up with city and countryside, and adopted such methods as embezzlement by the guards themselves, issuance of false receipts and making of false account books. In the 5 years from 1972 to 1976, over 100 such cases were committed. Li Laiwei alone obtained over 16,000 jin of grain through corruption, purchased through arbitrary means some 19,000 jin of grain and resold them at high prices to unlicensed merchants and speculationists, who made exorbitant profits out of them. Although these criminals did not directly participate in the activities of the "gang of four" in usurping party and state power, yet they formed the social basis for a capitalist restoration.

The rectification of enterprises is an important means of discovering corruption and embezzlement. Statistics show that, through an inventory in 1977 among the commercial and grain departments, at least 16,788 cases of corruption and embezzlement were found. Over 7.5 million yuan and 1.91 million jin of grain were obtained through corruption. The "gang of four" promoted "the

more confused, the better," and said such nonsense as "confusion" meant "revolutionary order." They intentionally upset enterprise management. Their criminal aim was to connive at the frantic attacks which the capitalist forces waged against the socialist economy and to create the conditions for their usurping party and state power and restoring capitalism.

The elements who engaged in corruption, embezzlement and speculation were vicious enemies who undermined the socialist economy. They were accustomed to plunder a burning house and fish in troubled waters. Where there was confusion in management, such criminals were also bred to cause harm. In order to ferret them out and block up the loopholes through which they do mischief, we must grasp enterprise management well. At present, the nationwide struggle to "criticize one thing and fight against two things" needs to be unfolded still further, and the task of rectifying enterprises still has not been completed. We must act in accordance with the plan of the party Central Committee, act in accordance with the demands put forth in "The 30 Points for Industry,"¹ take the exposure and criticism of the "gang of four" as the key, carry out well the task of enterprise rectification at fixed intervals and in groups, unfold the struggle to "criticize one thing and fight against two things" in a planned and systematic manner and consolidate the economic basis for the dictatorship of the proletariat.

(II) From the Shocking Instances of Waste, See the Importance of the Strict Implementation of the Economic Accounting System

Practicing economy, opposing waste and running all causes in a diligent and frugal manner have always been Chairman Mao's advocations and the party's consistent policies. The strict implementation of economic accounting is an important system in increasing production and practicing economy and in stemming waste. The "gang of four" waved the big club of "putting profit in command" and tried their best to oppose the enterprises in strengthening economic accounting and in paying attention to economic results. As a result, many enterprises did not have a fixed amount of consumption and did not have an account for their costs. They did not care whether they did a lot or a little and did not keep an account of their profits and losses. The losses and wastes incurred were therefore extremely frightening. Take the metallurgical industry as an example--from 1974 to 1976, the cumulative total of the 3 years showed that the nation produced 28 million tons of steel less and obtained 19.7 million tons of steel products through the rate of exchange. This was equivalent to throwing away all the steel products that were basically sufficient for fulfilling the need of realizing farm mechanization. The interests that it failed to turn over in 3 years were enough to build 10 iron and steel complexes with an annual output of 1 million tons. The losses sustained in the 3 years were equivalent to the total amount of 1 year's wages for staff members and workers of the entire metallurgical industrial system. Although other economic departments suffered to different degrees, they all suffered, with no exception. For instance, from 1975 to 1977 most of the state-run farms went from gain to loss. The cumulative loss amounted to over 1.6 billion yuan, an average loss of over 500 million yuan every year. In

1976, the property losses and goods shortage of the commercial and grain system reached some 500 million yuan. In some enterprises, the seriousness of loss and waste was even more frightening. In a thermos flask factory, damaged glass refills were as high as 67.3 percent, which meant that of every three thermos flasks, two were scrap, reportedly. In the 14 years since production, a cumulative loss of 6.35 million yuan was recorded, which was equivalent to twice the investment made in the building of the factory. In a state farm where there were 1,025 staff members and workers, 70 tractors, 53 harvester combines and 43 heavy-duty trucks, an average per mu output of only 16 jin was scored in 1976. In a grain depot, over 1.5 million flax sacks were lost from 1974 to 1977, which meant that, on the average, over 100 sacks were lost every day.

When the "four pests" were rampant, the label of "putting profit in command" was attached onto people haphazardly, so that many comrades dared not settle economic accounts. Now, to clear up confusion and restore what is correct, we must resolutely settle economic accounts, for this is directly related to the major question of whether or not we can accelerate the realization of the four modernizations. Chairman Mao once instructed us: Only through settling accounts can one realize the objective existing law of value. "This law is a great school. Only by applying it can we educate our tens of millions of cadres and hundreds of millions of people and build our socialism and communism. Otherwise it would all be impossible."² Today, if we want to accelerate the realization of the four modernizations, we should acquire the skill of running things in accordance with economic laws, which include the strict implementation of an economic accounting system.

We must settle the account of the total loss brought about by the interference and sabotage of the "gang of four." We must also carry out concrete computation on the economic accounts in the management of the various enterprises. For example, small-scale nitrogenous fertilizer production suffered serious losses in the past few years. Here, one reason was the interference and sabotage of the "gang of four." But there were also concrete reasons in the management of the various enterprises. "Differentiation can be discerned only through comparison." At the exhibition, the display of the contrasting materials on the two small-scale nitrogenous fertilizer plants was sufficient in arousing people's deep thoughts. The Tongxiang chemical fertilizer plant of Zhejiang and the Hongqi chemical fertilizer plant of Chengde in Hebei were both small-scale nitrogenous fertilizer plants with a designed capacity of producing 3,000 tons annually. The former obtained profits every year since 1970. The latter recorded losses for 10 consecutive years since the plant was built. The following chart shows the contrasting figures of the two enterprises in their major economic and technical quotas in 1977:

Item	Tongxiang chemical fertilizer plant	Hongqi chemical fertilizer plant
output of synthetic ammonia	5,181 tons	205 tons
unit cost	248 yuan	1,871 yuan
coal consumption	1,644 kilograms	10,577 kilograms
electricity consumption	1,041 kilowatts	5,781 kilowatts
profit and loss	profit 354,000 yuan	loss 487,000 yuan

One reason why Tongxiang chemical fertilizer plant could be so advanced was because they dared resist the interference and sabotage of the "gang of four" and persisted all along in attaching importance to economic accounting, to strengthening enterprise management and to launching labor emulation. This plant announced its small-quota competitions daily and monthly so that the broad masses were able to have a clear target as well as a clear sense of responsibility. The reason why Hongqi chemical fertilizer plant still remained in a seriously backward state today was certainly related to the interference and sabotage of the "gang of four." That the pernicious influence was still there in the plant today showed that we should emphasize reexamining the "internal reasons" and looking for the problems among the leadership of the enterprise. Examples such as this could be found in various departments and undertakings. The enterprises which remained backward for a long time must be rectified conscientiously and a fixed date must be set for changing their outlook; otherwise, the leadership will be held responsible. Lenin said: "The various trusts and enterprises are built on the basis of an economic accounting system because they want to be responsible, and totally responsible, for themselves and to ensure that their enterprises will not suffer losses."³ Only through this can a socialist economy develop in an all-around manner, high-speed advances be made possible and the realization of the four modernizations be accelerated.

(III) In the Light of the Large Number of Accidents, Look at the Importance of Strengthening the System of Responsibility in Enterprise Management

The contents of the exhibition told us that the serious losses sustained by the various accidents out of negligence were the direct results of confusion in enterprise management. The "gang of four" opposed all forms of rational rules and regulations, stirred up anarchism, and caused all enterprises to neglect their systems and to relax discipline. All sorts of accidents out of negligence took place frequently. This not only greatly increased the amount of waste products and losses in the enterprises, but more seriously, because unqualified products were allowed out of the factory haphazardly, serious losses and even major accidents were brought on the consuming units. For instance, because the quality of some electrical machines was poor, the screws came off during the operation, which resulted in a power failure in the power plant and production stoppage in the factories. Because the quality of some steel rails was poor, the rails cracked, the trucks derailed and railroad transportation came to a halt. Because the quality of some tractors was poor, and the parts were not complete, a large number of tractors were "lying idle," agriculture was buried and the peasants were made to suffer. We also saw that, because of their poor quality, some daily industrial products were piled up in large amounts and had to be disposed of with reduced prices, causing over 100 million yuan in losses for the state. Some pharmaceutical factories haphazardly permitted unqualified medicines to leave the factories and caused serious medical accidents. If the quality of some export products was poor, then not only would it bring about serious economic losses to the state, but would create extremely bad political influences internationally. There was even such a motorcycle factory. In the several years since plunging into production, there were indeed no work schedules and fixed quotas for

for work, no labor attendance and no product inspection system. Thus, among the 120 motorcycles that left the factory in 1978, the consuming units discovered in inspection that every motorcycle was short of parts--1 or 2 in some and even over 10 in others--and could not be used.

It would not do to be irresponsible toward the quality of the products, and it would not do to be irresponsible toward the packing of products. There were many products which could not be produced easily, such as stones, jade, televisions, radios and bicycles and other delicate commodities. Because of careless packing or blind substitution, a large number were damaged or lost in the process of transportation.

For instance, on one occasion, 975 radio sets were transferred from Shanghai to Tianjin. Because of poor packing, 349 sets were damaged. In the case of some products, although the original packing was not done poorly, yet because of serious negligence in the process of transportation, goods were overturned when loading, thrown about when unloading, dragged about when transporting and hooked carelessly when lifting. As a result, the goods were disastrously damaged. A leading person of an operating team in a harbor even permitted the transporting workers to use the method of pouring the goods into storage in the process of loading the ship. As a result, a large number of heavy goods were thrown on top of the light goods, and the packages were split open all over the storage area. Consequently, the goods were damaged, the ship was forced to remain behind and the passengers demanded refund for their tickets. Seeing all this made one shudder.

The accidents involving safety exhibited in the exhibition were all accidents due to negligence. In a chemical joint enterprise in which there is imported equipment, because a group leader inside a pump workshop read during working hours, he failed to carry out his duty. He pressed a wrong electric button and caused the water valve to close down and brought about serious accidents resulting in production stoppage in the workshop. Also, in the rescue process, because of improper operation, he brought about a loss of output value of 1.5 million yuan at one time. Due to operation in violation of regulation, a 10,000-ton cargo liner was sunk in fog, and 100 million yuan were lost. A salesman of a supply and marketing cooperative smoked a cigarette during business hours when he was weighing explosives. He put the gaslight on the goods shelf and caused an explosion and a fire, and the entire shop went up in smoke.

Because of poor materials management, the door of convenience was opened to corruption and embezzlement. One warehouse was robbed over 20 times from 1973 to 1976. A total of 19 tons of material with a total worth of over 70,000 yuan were stolen. But the warehouse managing personnel did not even know of that until one day when the public security personnel came to investigate the case. In another instance, in a warehouse of an electrical machinery company, the leading personnel took the lead in dismantling the packages and using the boxes for making furniture for themselves. As a result, many machines were not protected and a large number of parts were stolen, incurring a loss of 1 million yuan.

Comrade Mao Zedong once pointed out acutely: "Corruption and waste are extremely serious crimes." The phenomena of corruption and waste displayed at the exhibition are merely a few examples on the economic front. Many more phenomena of corruption and waste await to be discovered. Today, 2 years after the downfall of the "gang of four," we must not permit the continuous existence of these criminal acts. The confusion in enterprise management caused by the sabotage and troublemaking of the "gang of four" must be thoroughly changed. This asks that the broad economic front accelerate its pace in clearing up confusion and restoring what is correct, speed up rectification, raise the management level and create conditions for the four modernizations. This is the profound revelation of the exhibition to the people.

FOOTNOTES

1. "The 30 Points for Industry" refers to the "(Draft) Decision on the Various Questions Concerning Speeding Up Industrial Development" published by the CCP Central Committee in April 1978.
2. The quotation is from Chairman Hua's speech at the National Conference of the Financial and Trade Front on Learning From Daqing and Dazhai.
3. Lenin, "On the People's Department of Finance," "Collected Works of Lenin," Vol 35, p 549.

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NATIONAL ECONOMIC POLICY

ASPECTS OF PRODUCTION SPECIALIZATION, COORDINATION DISCUSSED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 1, 15 Jan 79
pp 24-25

[Article by journal's commentator: "In Carrying Out Coordination Between Specialized Units, It is Necessary to Act in Accordance With Objective Laws"]

[Text] Specialization in production is an inevitable trend in economic development. This problem has already aroused everyone's attention. The reshuffling of industry in accordance with the principle of specialization has also been raised on the agenda. It is a good thing to carry out coordination between specialized units. Many comrades have acknowledged this. But how should we carry out reshuffling? There are still different views and methods. We say: In carrying out coordination between specialized units, it is necessary to act in accordance with objective laws. Such a proposal most likely will not arouse any opposition, but it may not necessarily be so in actual work.

In this issue of our journal, we published an introduction on the experience of the Guangzhou Municipal No 2 Light Industrial Bureau in carrying out coordination between specialized units. What is good about their experience? It is good in that they act in accordance with objective laws and do not indulge in carrying out specialization for its own sake. What is most worthy of notice is their perseverance in four principles, which are: perseverance in the principle of "concentrating production, large-scale output and high efficiency"; perseverance in the principle of doing the easy first before handling the difficult and of going up first before going down; perseverance in the principle of integrating long-term targets with the transformation of old enterprises; and perseverance in establishing, in the light of practice, different forms of specialized organizations. Whether or not these principles are all-around and comprehensive, they embody a spirit, which is to act in accordance with objective laws. And precisely because of this, they are able to obtain comparatively better economic results.

In a capitalist country, the economic laws play a spontaneous role of readjustment. The development of their specialization is formed naturally in competition. The socialist system enables us to act in accordance with the objective laws of economic development and promote the socialist economy in a planned

manner. But, whether it is planning and reshuffling, it is after all a subjective act. All subjective acts should be in accordance with objective laws and follow the latter's course of development before they can succeed. If one ignores the demands of objective laws and acts purely "according to the will of the officer" and "according to administrative measures," then a cause, however excellent, will look bad.

Let us consider the principle of "concentrating production, large-scale output and high efficiency" which the Guangzhou Municipal No 2 Light Industrial Bureau perseveres in. It precisely reflects the demands of the objective laws in economic development. Why so? It is because the reason why specialization becomes necessary is that, first of all, large-scale output is required in certain products, certain parts, or certain techniques and services. Running enterprises in a scattered manner is not as effective as running enterprises in a concentrated way. In concentrating production, we can adopt advanced technology and raise efficiency, and bring about better quality, lower cost and more timely supply than in running enterprises in a scattered way. Only in this way has specialization become necessary.

Let us consider the repair of equipment. If in a district there is a large amount of equipment of the same category which needs to be repaired, and if repair by a specialized repair factory proves faster and cheaper than repair by the factories themselves, then it is better to carry out specialization. If it is the repair of certain special equipment--for instance, if it is the chicken breeding equipment of a chicken farm, and if there is only one chicken farm in the locality and one set of chicken breeding equipment--then is it also necessary to make the repair force of this chicken farm independent? Certainly, when this repair organ is made independent, then it not only can repair chicken breeding equipment, but can shoulder other repair tasks as well, thereby bringing its repair capacity into full play. That is to say, as long as it is in accordance with this principle of "concentrating production, large-scale output and high efficiency," then this type of specialization is correct. Otherwise, what is the difference between separating the units and not separating the units?

Or again, for instance, carrying out a "line of a hundred factories," organizing many existing small factories to engage in the production of parts and founding a general assembling factory to engage in the production of whole sets of machines--this is a method of coordination between specialized units and should be more favorable than the investment on a "large and comprehensive" factory. But we must make an estimation: If these small factories which have been organized formerly shouldered other tasks, then should they continue to shoulder these tasks in the future? If not, then what should be done about these former tasks? If these factories switch to producing special parts, then how large a quantity should they shoulder? Should more investments be made? How much more? If scattered investments are made, and if they need more capital than the building of a "large and comprehensive" factory, then what is the point in all this?

Presently, a popular move is to "spread" the production of parts to the commune- and brigade-run enterprises in the countryside. What should the primary orientation of work for the commune- and brigade-run enterprises be? Should it be to obtain raw materials locally, serve agriculture and run a joint agricultural-industrial enterprise, or should it be to "abandon agriculture for industry," "support agriculture with industry" and develop large industrial satellite factories in a one-sided manner? Of course, it is not a bad idea for some qualified commune- and brigade-run enterprises to shoulder some tasks spread to them from nearby large industries. But if they are not properly equipped, then they will need equipment and investment once tasks are spread to them. They may still fail to grasp the techniques after plunging into production for 3 to 5 years, and may continue to turn out poor-quality products and bring about high costs for an extended period of time. What is the purpose of carrying out such "proliferation" in specialization?

Specialization and coordination are objective demands in the socialist production development, and are two inseparable aspects. So specialization and coordination must be considered simultaneously. How should division be made in the division of labor? Whether it is division into specialized groups, specialized work sectors and specialized workshops, or into independent specialized factories, we must take the conditions and the needs into consideration. In the last analysis, we must take economic results into consideration and not practice specialization for its own sake. Some comrades hold that "the more minute the division of labor, the better." They insist on sending the parts which were formerly produced with high quality and good economic results through division of labor and coordination inside the factory to be handled through coordination outside the factory. Some people, once they mention that they will carry out specialization, want immediately to dissect a factory into pieces, and divide it into several independent enterprises. Often, they not only sever the internal relationships in production and increase hindrances, but, in establishing separate sets of management organs, they need to add many nonproductive personnel while causing a reduction in labor productivity.

Such thinking as "large and comprehensive" and "small and comprehensive" which is not in accordance with the trend of the development of specialization should, generally speaking, be wiped out. But we must not be absolute about this. The spirit of Marxism is to conduct concrete analysis on concrete problems. Are "large" and "comprehensive" absolutely bad? The alliance of specialization and coordination is a unity of opposites. In order to carry out centralism and coordination, do we not also propose the establishment of joint enterprises and joint companies? Whatever is joint is necessarily "large" and sometimes even "comprehensive." For instance, a comprehensive iron and steel joint enterprise, a petrochemical joint enterprise and other joint companies which go beyond one department, which go beyond one district and which are directly responsible for production, supply and sale--are not such "large and comprehensive" enterprises good? Even if we are not talking about joint enterprises, we cannot say for certain that any independent enterprise is absolutely forbidden to be "large and comprehensive" or "small and comprehensive." For instance, if we establish a factory in a remote district

where the industrial base is weak, and where there are no factories of the same category nearby or factories that can facilitate coordination, then, instead of long-distance coordination, "large and comprehensive" or "small and comprehensive" factories may be more favorable.

Furthermore, some factories today which are "large and comprehensive" or "small and comprehensive" are often "compelled" to be so by objective conditions. It is not true that all the factory leading personnel like "to rely on themselves in everything" or "to crave greatness and success," or want to make the factory larger so that they can be a higher "official," and so on and so forth. Of course, such thinking does exist, and there are quite a few, too. But we must not make generalizations. If we do not solve certain problems in objective conditions, but rely temporarily on carrying out "specialization" according to "the will of the officer," then after a while we too will be forced into becoming "large and comprehensive" and "small and comprehensive."

All in all, it is surely an inevitable trend to change from "comprehensive" to "specialized." But it has its objective laws, as well as the objective conditions for its occurring, development and change. Is the key to whether one is "comprehensive" or "specialized" determined by the economic results? We must understand the objective laws and then, in accordance with the objective laws, promote the development of events. It is impossible to rely on subjective wishes and change because we say we want to. Our present task is only to conscientiously conduct profound and meticulous investigations and research, ascertain the situation, ascertain the laws, settle accounts meticulously, carry out some comparisons and contrasts, listen to the masses' opinions more frequently, and then proceed from reality, act in accordance with the economic laws and carry out the task of reshuffling in an active and stable manner.

The other principles which the Guangzhou Municipal No 2 Light Industrial Bureau perseveres in, such as doing the easy first and the difficult later, going up first before going down, letting the old support the new, integrating long-term targets with present transformation and so on and so forth all embody the spirit of the objective laws of giving guidance along the course of development and active promotion. They are less subjective, do not act purely in accordance with "the will of the officer" or with "administrative measures," and moreover do not act like "bad matchmakers." Practice is the only criterion in examining the truth. Specialization brings about swift development in production and proves that the road they take is basically correct. Now, many industrial departments and many localities are grasping specialization and reshuffling. The experience of the Guangzhou Municipal No 2 Light Industrial Bureau merits our attention.

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NATIONAL ECONOMIC POLICY

COMPULSORY EQUIPMENT MAINTENANCE IN DAQING OILFIELD OUTLINED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 1, 15 Jan 79
pp 26-28

[Article by Shen Liangan [3088 0081 1344]: "Daqing's Compulsory Equipment Maintenance System"]

[Text] Machinery equipment is the material and technical basis of modernized production. However, some enterprises do not attach sufficient importance to equipment management. They do not have an equipment maintenance system and do not have a repair plan. As a result, a large amount of equipment is "lying idle" and the equipment in operation is often not in a proper state. Once obstacles appear, production is forced to come to a stop and rush repair has to be launched; once the production task is completed, the equipment is no longer taken care of. The broad staff members and workers have expressed many opinions on this condition. They make the criticism that this means "riding a horse but not feeding it" and "not stopping the grinder until the mule is dead."

Daqing has scored obvious achievements in attaching importance to and strengthening equipment maintenance. In the Daqing area, there is much rainfall in the summer and there is severe coldness in the winter, and a large amount of equipment is operated in the open over an extended period of time. Under such arduous conditions, the people of Daqing exert every ounce of energy in making revolution, carry out socialism in a big way and carefully manage their equipment. In 1976, they scored the high level of 93 percent in stabilizing their monthly and seasonal equipment perfection. Toward the end of 1977, they scored 93.54 percent, and in the first quarter of 1978, they raised the level to 95.39 percent. In their practice, Daqing accumulated an entire range of experiences in equipment management. One of the experiences is the implementation of the compulsory maintenance system on a fixed machine at fixed intervals.

The so-called compulsory equipment maintenance system means that, after a fixed period of operation, no matter how good the technical condition of the equipment is and no matter how heavy the task it shoulders, every set of equipment must be inspected and maintained in accordance with its assigned range of operation and demand. There should be no excuse for delay. The

practice of Daqing proves that the establishment and implementation of such a compulsory maintenance system are of extremely important significance. The common saying goes very well: "If we do not mend the small hole, then we will suffer when the hole gets bigger." To do the task of frequent maintenance well, and to handle without delay the large number of frequently-occurring small problems, we can eliminate hidden maladies, stem accidents before they occur and guarantee the initiative in production.

(I) The Major Contents of the Compulsory Maintenance System

The compulsory equipment maintenance system includes two major aspects: the period of maintenance and the corresponding range of maintenance.

Daqing set up different periods of maintenance for different equipment. As regards the pump station equipment among the mobile equipment and the fixed equipment, they set up a four-level maintenance of regular maintenance, first-level maintenance, second-level maintenance and third-level maintenance. Regular maintenance is carried out in every shift. The intervals for the other levels of maintenance are calculated in accordance with the actual hours of operation (or the mileage) of the equipment. For instance, for the No 8 cement truck operating in the fixed wells, the intervals for maintenance of the first to third levels are 100, 400 and 1,500 operating hours respectively. After two third-level maintenances, whether or not large-scale repair is needed depends on how worn out the equipment is. For the metal-cutting lathe among the fixed equipment, a three-level maintenance system of regular maintenance, first-level maintenance and second-level maintenance is established. The intervals for the first- and second-level maintenances are 500 and 1,500 operating hours respectively. After two second-level maintenances, whether or not medium-scale repair is needed depends on the condition of the equipment.

In implementing the compulsory maintenance system, a certain period of flexibility is allowed for active equipment in scattered work locations and in operations with fixed schedules in order to prevent production cutoff. For instance, the flexible schedules for the first- to third-level maintenances of the No 8 cement truck are 10, 20 and 50 operating hours respectively. Maintenance can be carried out only ahead of schedule and never behind schedule so as to ensure safe operation.

The basic content for maintenance of various levels is the method of "cleaning, lubricating, tightening, readjustment and decay prevention." The contents of regular maintenance include cleaning and lubricating, tightening the loose screws, and inspecting the parts to see that they are in good shape. The items of maintenance are mainly on the outer parts of the equipment. First-level maintenance not only involves the general tasks of tightening, cleaning and lubricating, but involves also the readjustment of certain parts. Second-level maintenance involves mainly the cleaning and lubricating of the internal parts of the equipment and the disassembling of parts and the inspection and readjustment of these parts. Third-level maintenance involves disassembling, inspection and readjustment of the main parts of the equipment, the change of parts that are worn out, the survey and assessment of how worn

out the major parts are, and the recording of technical data as the proof for the drawing up of a repair plan.

Regular maintenance is constant maintenance which does not take up the operating time of the equipment. The first, second and third levels of maintenance will require a certain amount of the equipment's operating time. For instance, the first-level maintenance of the metal-cutting lathe will take 4 hours and the second-level maintenance will take 8 hours. In distributing their production tasks, the production regulation personnel will take the initiative to reserve the hours for carrying out maintenance on each set of equipment.

Regular maintenance and first-level maintenance are usually shouldered by the operating workers. Second- and third-level maintenances are shouldered by full-time maintenance (repair) workers, together with the direct participation of the operating workers. Because the workers keep in constant contact with the equipment every day, they know the conditions very thoroughly. To let them hold responsibility and participate in maintenance not only can raise the quality and efficiency of the maintenance, and increase their sense of responsibility toward managing and using the equipment well, but can assist the new workers in mastering the structure and characteristics of equipment faster. At the same time, it is possible to economize the full-time repair capacity and enable it to concentrate its superior forces on doing a good job of equipment repairs and the manufacture of parts.

Among the various levels of maintenance, regular maintenance is the basis. The workers of Daqing put it well: "The machine's condition is good when the people are diligent, and the key lies in regular maintenance." Doing well the job of regular maintenance, we can guarantee that the equipment is always in good shape.

The gradual progression in maintenance (from regular maintenance to first-, second- and third-level maintenances) manifests the progression from the observation and examination of the equipment from its outer layer to its inner layer (from the surface to the interior) and from the simple to the complicated parts in accordance with the law of movement of the equipment. This enables us to grasp the changes in the technical conditions of the equipment and the degree of damage of the machines, and to adopt measures without delay so as to prevent any accidents from happening.

The objective terms for the formulation of the period of maintenance and range of operation of different equipment are the objective laws of the changes (phenomena such as filth, loosening, leaking and shortages) in the technical conditions of equipment and the degree of damage of the machine. Because of different designed capacities, machine qualities, conditions for use and natural environments, the changes of technical conditions and the conditions of damage of every set of equipment are also different. Take a tractor, for example. The tractor used by the well operation headquarters in repairing the well does not run often and has balanced operation. Therefore, the tractor does not change its shape easily and the motor lasts long. The tractor

of the well-drilling headquarters is mainly used in dragging the well racks. It is linked up with others in a group operation. It operates with great horsepower, in full load and for long hours; therefore, its motor does not last long. Because of the relatively major difference in the conditions of use of the equipment, the Daqing equipment management department only makes general rules for the period of maintenance and range of operation for equipment of the same category, and supplements these rules with concrete and detailed rules in accordance with the actual situations of various consuming units. Meetings to exchange experiences are held at fixed intervals in order to mutually make up deficiencies by learning other's good points.

(II) The Implementation of the Compulsory Maintenance System

The experience of Daqing proves that, in implementing the compulsory maintenance system, it is first necessary to strengthen the sense of responsibility of the broad masses of workers as masters in managing and using the equipment properly. The fine thinking of "loving the machines as though they were their own lives" of the workers of Daqing is the firm ideological basis for consciously implementing the compulsory maintenance system. At the same time, strict requirements are necessary. When the operation of equipment reaches its scheduled period of maintenance, then we must insist on acting in accordance with the maintenance system. In particular, the leading cadres who are in charge of production must set themselves as examples for the masses. We must ask that they seriously and conscientiously complete the various programs which are set forth in the range of maintenance and operation, and not be sloppy or depend on chance.

In order to implement the compulsory equipment maintenance system, we must properly draft a plan for equipment maintenance. The plan for maintenance is drawn up in accordance with the number of equipment items in the bill of maintenance. The plan for maintenance is dispatched along with the production plan by the production regulation department. In examining the situation of the completion of the production plan, we examine the situation of the implementation of the plan for the maintenance of equipment. The situation of the completion of the plan for the maintenance of equipment is an important condition for launching competition and evaluation among the various units.

For the operating worker, the important key to doing equipment maintenance well is to grasp in a down-to-earth manner "four understandings and three know-hows" (understanding the equipment's characteristics, understanding its structure, understanding its theories and understanding its uses; knowing how to use it, knowing how to maintain it and knowing how to get rid of obstacles). For this, Daqing asks the broad operating workers to make hard efforts to master the basic technical skills in operation. For instance, the workers who are using the imported "taituola" No 8 cement truck make hard efforts for the revolution to master the techniques of operation and maintenance. They succeed in doing the following: The driver can, with a blindfold, feel through the examination circuit to tell the 10 parts, 28 items and 90 points of the vehicle, and can get rid of obstacles without delay, and the pump worker can, with a blindfold, identify the 7 parts, 13 items and 30 points of the large pump.

In order to guarantee the quality of maintenance, Daqing employs the three-in-one method of formulating the criteria for the quality of maintenance at various levels. The various consuming units generally set up full-time compulsory maintenance and inspection organs. In departments where there is move active equipment, such as special convoys, tractor teams and transportation vehicle teams, compulsory maintenance and quality inspection groups are set up and are responsible for examining the conditions of the second- and third-level maintenances. At the same time, compulsory maintenance examination stations are set up, carrying out examination on the quality of regular and first-level maintenances. The examination stations carry out daily examination on the discharged and returned equipment. The inspection stations have the authority to dispatch workers, hold up equipment for repairs, issue approvals and exempt equipment from inspection. The authority to dispatch workers means that, when they discover after inspection that maintenance fails to be carried out in accordance with the criteria of maintenance or that equipment has hidden problems, the inspection stations have the authority to fill out a form dispatching workers to carry out maintenance. When the operators or the repair groups receive the form, they will conduct maintenance and remnant repairs a second time and the inspection stations will conduct reinspection afterwards. The authority to hold up equipment for repairs means that, when they discover after inspection that the machines that involve safe operation are in disorder, or when they discover some obstacles which should be handled by the operators a day before but which are not handled, the inspection stations have the authority to stop operation and carry out repairs and maintenance. The authority to issue approvals means that, after issuing the form for dispatching workers, the inspection stations will issue an approval to the operators (or the repair groups) for obtaining from the materials depot the easily worn parts which are required in maintenance. There is no need to obtain the approval of concerned leadership. The authority to exempt equipment from inspection means the trust shown to the "trust-worthy" equipment which will be free from inspection. This is the pride of the equipment operators. At the same time, however, the exempted equipment should be checked every half month. When the condition of the equipment deteriorates, then the qualification of exemption will be immediately withdrawn. The inspection stations are made up of veteran workers. In conducting inspection on the maintenance quality of the equipment, they look for maladies in the equipment on the one hand, and talk about problems in ideology and work on the other. They impart experience as well as technique, at the same time. In the units where there are fewer sets of equipment, compulsory inspectors and part-time inspectors (such as motor operators in the workshops) are assigned. Besides supervising the operating workers in doing a good job of regular maintenance, the inspectors fix a schedule for inspecting the condition of the first-level maintenance. Then, together with the operating workers, they inspect the conditions of the second- and third-level maintenances.

In order to raise the quality and efficiency of maintenance, the full-time maintenance workers adopt the method of division of labor of "the group is responsible for the machinery group and the individual is responsible for the machine set." They implement the "maintenance system of fixed position and division of labor" in the second- and third-level maintenances. This means to

divide a set of equipment into several major parts, with exclusive persons responsible for the maintenance of each part. At the same time, they implement rotation at fixed intervals so as to enable the maintenance workers to have an all-around grasp of the maintenance techniques for the equipment.

Erecting the model for quality maintenance of equipment is an important measure in raising the quality of maintenance. The Daqing equipment management department perseveres in evaluating and erecting the equipment maintenance models annually and monthly. Also, it often organizes model on-the-spot meetings, mobilizes the masses to look at the models of quality maintenance, carries out discussions and evaluations, and enables the people to have examples to learn from and orientations to catch up with in the work of equipment maintenance.

Establishing and perfecting the system of responsibility at one's post is an important assurance in the regularization of the work of equipment maintenance and the implementation of the compulsory maintenance system. Daqing practices the responsibility system of fixed personnel, fixed machines, fixed posts and fixed duties. This means: For the equipment which is operated by the individual in one shift, the system of "exclusive person for exclusive machine" is practiced; for the equipment which is operated by several persons (in a machine group) in three shifts, the system of responsibility of the leader is practiced. After the leader is assigned, there will be no random changes without approvals. In a machine group, operations and duties are further drawn up, so that the use, maintenance and management of every link and every part is concretely linked with every individual. Thus the equipment is managed and everyone is responsible. Under the situation of continuous production, it is necessary to implement the system of shifts in equipment operation. The operating workers should supervise each other and hand over the conditions of use, maintenance and management of equipment clearly. In Daqing's system of responsibility, it is clearly stated that the workers at the post have the right to stop the workers not at the post from operating the equipment under the former's management, and have the right to supervise the condition of carrying out the plan of inspecting the maintenance. This plays an important role in guaranteeing the safe operation and correct maintenance of the equipment.

9335

CSO: 4006

NATIONAL ECONOMIC POLICY

NEED FOR IMPROVEMENTS IN MACHINE REPAIR DISCUSSED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 1, 15 Jan 79
pp 34-35

[Article by Fang Hui [2455 1920]: "Great Waste in the Decentralized Handling of Machine Repair at Three Levels"]

[Text] A certain petrochemical complex currently has about 8,000 machine repair staff members and workers and about 800 lathes. The number of machine repair staff members and workers comprises almost one-fourth of the total number of staff members and workers of the whole plant. Such a large machine repair force plays an effective role in guaranteeing the continuous and stable production and safety of the petrochemical complex, but the present practice of the three-level machine repair system manifests a serious phenomenon of decentralized handling, redundancy and waste and fails to bring the latent capacity of production into full play. The situation of the three-level machine repair in the complex is as follows:

(I) In the first level, the complex has one machine repair factory, a meter repair factory and a general overhaul factory. The number of staff members and workers and the number of lathes in these three factories comprise 35 percent of the number of staff members and workers and 48 percent of the number of lathes in the complex, respectively. At present, the basic construction for the three above-mentioned factories has not yet been completed, but it is already of a considerable scale. For instance, the machine repair factory has had a cumulative investment of over 30 million yuan, 2,500 staff members and workers and over 230 sets of lathes, and has its metal processing, wood molding, iron casting, steel casting, precision casting, forging, welding and riveting, tool-making and overhauling workshops. It is already a medium-level machinery plant that is rather fully equipped. After the completion of the capital construction, it is capable of processing 4,500 tons annually. After their visit, some Japanese said that, in Japan, such a factory could manufacture most of the equipment for holding 300,000 tons of ethylene.

(II) The oil refinery and various chemical industrial plants and 12 other capital construction, supply and marketing and research units have also established several dozens of machinery repair, meter repair and electricity repair workshops. Every workshop generally has 100 to 200 people, and from

10 to several dozen sets of lathes. They have metal processing, welding and riveting, forging, thermal treatment and electroplating groups. They are also relatively fully equipped.

(III) In the production workshops of the adjacent chemical industrial plants, there are machine repair and general repair groups, some of which are even equipped with lathes.

In such a three-level machine repair force, what is worth our attention is the second-level machine repair force--the machine repair, meter repair and electricity repair workshops of various factories. These workshops possess a total of two-thirds of the lathes of the entire complex and other corresponding equipment. They offer very thorough service to the production of the existing plants, but their latent production capacity cannot be brought into full play when they serve only one unit of the factory. In the case of a certain petrochemical complex, there are metal processing, ordinary meter, automatic meter, electricity repair, general repair and inspection-repair workshops. Among them, the metal processing workshop is a machine repair workshop that is relatively more fully equipped. It has over 60 lathes and over 200 staff members and workers, but basically the entire workshop only carries out one-shift production (generally a machinery plant has two shifts). Many sets of equipment are not being operated sufficiently and are even idle all year. First of all, there is extra processing capacity in forging and electroplating. The metal processing workshop has 3 sets of pneumatic hammers (1 weighs 1 ton, 1 weighs 650 kilograms and 1 weighs 150 kilograms). If all 3 are started, then over 20 workers are needed, but since all 3 are not operated at the same time, only 15 workers are needed to start whatever has to be started. In other words, one pneumatic hammer is idle all year. The electroplating group of the workshop has 2 chrome-plating tanks (one is of 1,000 amperes and the other is 3,000 amperes and can plate a bearing 1.7 to 1.8 meters long). Even if we do not consider such minute details as the number of hours of operation every day and whether or not both electroplating tanks are in operation, operation is only carried out 12 to 13 days a month, and half the time operation is not carried out. Secondly, the seal-off group and the bearing group and other full-time production lines also do not have enough tasks. The bearing group has 11 people, who actually spend one-third of their time in making bearings. The high-temperature and medium-temperature furnaces which they are equipped with are only operated 2 months in 1 year. The centrifugal casting machine is basically not used all year. The machine seal-off group has the capacity to shoulder the machine seal-off task which the entire complex requires. In fact, it already performed some machine seal-off jobs for other oil refineries throughout the country, but then it fails to perform the task of machine seal-off for the fraternal factories inside the complex and to bring its production capacity into play. The rate of use of the lathe is low. Some lathes of the metal processing workshop are not equipped with workers and men have to be assigned to operate the machines whenever necessary. When there are 12 grinders, there are only 8 workers. Even the lathes that are used most frequently are not brought into full play. The entire workshop has 34 sets of lathes. Not counting 2 sets which are used for

cutting tools and 1 set which is deficient, there are 31 sets of lathes used in processing parts. In July, 34 workers were working in 2 shifts, which meant that only 17 sets were used in the 2 shifts while 14 sets remained idle.

Although the metal processing workshop of the oil refinery has extra production capacity, other factories are still developing their own machine repair forces. In the entire complex, six factories either have already made or are engaged in making electroplating equipment, five factories are engaged in installing machine seal-off devices, and all the factories are engaged in manufacturing their own tools. Redundance and waste are very serious.

There are numerous reasons why such a situation is brought about. 1. Such a situation is brought about by historical reasons. Prior to the establishment of the complex, the adjacent branch factories have already been completed. Also, they are independent factories belonging to different departments and systems, and have already had their own machine repair forces. 2. The supply of parts is insufficient and the task of having to manufacture the parts themselves is heavy. For several years, not only did they have to manufacture a portion of the parts for the imported equipment, but they could not even provide the parts for the locally-produced equipment. The main machinery production plant does not supply the parts. The materials system makes out an order for goods. A factory places an order for several thousand parts. However, after going through the procedures of the factory, the complex, the department and the First Ministry of Machine Building, and after being reviewed and cut from every level up and allotted from every level down, it often takes at least half a year to get only one-tenth of the amount it asks for. The supply of materials is also insufficient. Equipment is not assembled. Everything is based on asking help from all directions. A phenomenon of everyone looking after one's affairs is brought about. 3. Because of the low level of operating techniques, the abnormal waste of the parts is high, the amount of stock is insufficient and many urgent items are needed in an emergency situation. If the metal processing workshop of that factory does 3,200 pieces of work in the first half of the year, 1,100 pieces are urgent items. If items are ordered from abroad, then it will be difficult to ensure timely supply. In addition to the force of habit of relying on being large and comprehensive and small and comprehensive, the leading personnel of the factory hold that if they have machine repair in their hands, then whenever items are urgently needed, they can still rush something out through overtime midnight shifts, and that only this can guarantee production. Furthermore, in these few years, there has been no labor discipline and no fixed amount of production. Workers work, but nothing much is done, so the machine repair workshops of various factories have become larger and larger. 4. The orientation of machine repair is not clear enough. The machine repair factory should take the manufacture of parts and accessories as the main task, but in the past several years, the leadership embraced the thinking of emphasizing the manufacture of light parts and emphasizing the mass serial production of light parts. Improvement has been made in these few years. Comparing the two, the service rendered by the machine repair factory to the production plant is considerably different than that rendered by the machine repair workshop inside the production plant. The machine repair factory usually demands the production plant

to act in accordance with the so-called proper planned production procedures: order of goods, design, manufacture of molds, casting, processing and so on and so forth. The turnovers are time-consuming and the various production plants feel too much inconvenience and would rather rely on their own methods.

Regarding the present three-level machine repair system, all people admit that it is unreasonable and support the principle of coordination between specialized units as stated in "The 30 Points for Industry," but all lack general confidence in whether the reshuffling into coordination between specialized units can guarantee the supply of accessories and parts. They say that, in the past, they have also thought about engaging in specialized production. For instance, in 1974 they incorporated three casting groups into the machine repair factory. However, when these plants wanted to have cast items, the machine repair factory only accepted orders for cast items that were larger and more difficult to process, and would not accept orders for small cast items. Having no choice, the two plants belonging to the complex had to ask the commune-run factory to process the items for them, or rebuild their own casting force. In the light of the actual production of the amount of casting commodities of the machine repair factory in the first half of the year, only 15 percent was supplied to the fraternal factories. The other 85 percent served other units. This obviously was unreasonable.

How should we solve the present phenomenon of redundancy and waste in such a three-level machine repair system? Many comrades hold that:

I. It is necessary to strengthen the work of supplying domestic accessories and parts. All factories that produce main machines should produce parts at the same time, or set up factories exclusively for producing parts. In addition to solving the task of concentrating on the ordering of goods, the materials departments should establish parts and accessories supply companies and shops, so that obtaining accessories and parts will be as easy as obtaining the parts for a bicycle. In this way, we can reduce to a great extent the pressure put on the machine repair factories of various trades and undertakings.

II. Strengthen the centralized and unified leadership of the complex on the work of machine repair, meter repair and general overhaul. Concentrate the concerned tasks which are presently managed in a scattered manner by various departments (for instance, the mobile department is in charge of planning, the supply and marketing company is in charge of goods orders, the machine repair factory and other machine repair workshops of various factories have their own set of plans, goods orders and procurements, and so on and so forth), and let the complex practice unified management. Unify the organization of domestic and foreign orders in accessories, parts and raw materials, the organization and regulation of the production and distribution of accessories and parts, the management of the stock of accessories and parts and the materials used in repairs, the organization of planned inspection and repair of various factories and the coordination between specialized units, thus forming a powerful leadership over all work.

III. In such a large industrial district as the complex, it is possible to take two steps in organizing specialization and coordination well. In the first step, strengthen planning and statistics, organize the division of labor in the production of accessories and parts well, eliminate the redundancy in types and regulate surplus and shortage. For instance, we should first concentrate production of universal machine seal-off devices and universal bearings. Then we should gradually classify them and bring about the transition to specialized production, and enable the various machine repair workshops to develop into units specializing in manufacturing, repairing and assembling parts of different categories. However, we must pay attention to preserving necessary repair forces for various factories.

IV. Gradually concentrate the redundant techniques in casting, electroplating and thermal treatment, and allow the machine repair and meter repair factories to carry out production exclusively. However, in the course of concentration, we must raise the quality of service. We must guarantee quality, quantity and punctual supply of casting, thermal treatment and electroplating items to the various factories which need them. If the specialized factory cannot satisfy needs, then it should be the factory's duty to organize coordination with outside units in order to ensure supply. It must not shed its responsibility.

V. We must establish close ties among the factories, in their coordinated relations and their economic interests. The machine repair factory and the machine repair workshops carrying out specialized production should conduct economic accounting well, but we cannot ask that they conduct independent accounting. First, they should consider the question of how to satisfy the needs of the production plants in accessories and parts and then sign contracts on supplying accessories and parts to the production plants. There should be rewards and fines, depending on how the contract is being executed. Besides inspecting the situation of how the production of accessories and parts is being completed within the plan, we should examine the condition in which the task of producing urgently-needed items is completed. In order to push the production plant in strengthening planning and to raise the enthusiasm of the machine repair factories in shouldering the production of urgently-needed items, we should institute suitable raises in the prices of urgently-needed items. The general overhaul factory is responsible for the general overhaul of all the factories. There also should be rewards and fines in accordance with the quality of the overhaul and the length of time needed in the overhaul. Furthermore, we should simplify the steps of coordination between factories and propose door-to-door service. The machine repair factory should map out an exclusive workshop that operates in three shifts and is responsible for the "outside service" for urgently-needed items, and carry out repair whenever repair is needed.

To change the present three-level machine repair system, implement the principle of coordination between specialized units in "The 30 Points for Industry" and do a good job of reshuffling enterprises, we must do a lot of meticulous planning work, organization work and ideological and political work, and must continuously sum up experiences and make additional improvements.

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CSO: 4006

ECONOMIC PLANNING

'TIANJIN RIBAO' URGES PROMOTION OF WORK IN THIRD QUARTER

Tianjin Tianjin City Service in Mandarin 0030 GMT 4 Jul 79 HK

[Report on TIANJIN RIBAO 4 July editorial: "Energetically Work in the Third Quarter To Greet the Anniversary of the Founding of the PRC"]

[Excerpts] The editorial said: In his government work report made at the second session of the Fifth NPC, Comrade Hua Guofeng called on the people of the whole country to immediately get mobilized and extensively and deeply launch a movement to increase production and practice economy by focusing on high production, good quality, great variety and low input consumption. All trades in our city must resolutely respond to this call and push the movement of increasing production and practicing economy to a new upsurge.

The staff and workers on the city's industry and communications front must urgently get mobilized, learn from daqing, catch up with Shanghai, energetically work in the 3d quarter, strive to overfulfill production plans and greet the 30th anniversary of the founding of the PRC with outstanding high production, good quality, great variety and low input consumption.

The editorial pointed out: One-half of this year has now already passed. Whether or not we properly grasp the third quarter is the key link in whether or not we can accomplish this year's plans. We must bear the whole situation in mind, voluntarily take up responsibilities for the sake of the state, go all out and conscientiously and earnestly do tasks well. We must carry out production plans for the third quarter and the second half of this year without missing the opportune season and with a high sense of responsibility and urgency.

While energetically working in the third quarter, we must continue to resolutely grasp product quality and variety and strive to lower the consumption of raw materials and fuel. At present, product quality in some enterprises has improved very slowly. It has even dropped for others. We must change this situation and really give first priority to quality and variety. From now on, in accordance with the demands of "quality month," we must genuinely listen to the opinions of consumers, improve product quality, increase

variety and strive to create a number of high quality famous brand products. All those products which have not reached their highest historical quality indexes must do so within this year; those which have done so must contrast their highest indexes with those of advanced national and international levels, discover differences and strive to catch up with and overtake them.

Outstanding achievements must be made in the third quarter regarding the Tianjin Municipal CCP Committee's demands for striving to include the municipality's major products among the best in the respective trades in the country and for successfully producing a batch of new products this year. We must seek increases in production by practicing economy. Our municipality has great potential to save coal, oil and electric power. We must urgently do well in promoting stocktaking and auditing and rapidly make use of overstocked and piled-up materials to satisfy urgent needs in increasing production of shortrun products such as light industrial and textile products. We must resolutely grasp turning deficits into profits and achieve increases in production and income.

All enterprises must not only grasp current production well, but must also consider the new situation in the 3 years of readjustment. They must seriously and properly integrate the movement to increase production and practice economy with readjustment, restructuring, rectification and improvement work. In the third quarter, we must continue to rectify and strengthen leadership groups at all levels. While we replenish and strengthen all prefectural, county and bureau leadership groups this year, we must also emphatically grasp the rectification of the basic level leadership groups.

We must continue to popularize overall management in quality, seriously strengthen fundamental management work and establish and perfect a set of production responsibility systems on a sound basis. During the readjustment, we must adopt resolute and effective measures to speed up the development of light industrial and textile products and energetically promote these shortrun products which need to be and can be developed. We should concentrate and give priority to supply all our limited fuel, power and raw materials to those enterprises which produce great varieties of good quality products that sell well, are profitable and are produced at low input consumption.

To win the production battle in the third quarter, leading cadres at all levels must resolutely change their leadership work style, seriously overcome bureaucratism and go deep into the production front. Taking the documents of the second session of the Fifth NPC as a weapon, they must properly, deeply and carefully carry out ideological mobilization work, organize the masses to really study the government work report made by Comrade Hua Guofeng along with other documents, and--in connection with the reality of various local conditions--rapidly implement the spirit of the second session of the Fifth NPC.

The third quarter is a season when temperatures are high and rainfall plentiful. We must do well in conscientiously grasping heat stroke prevention, lowering temperatures, preventing damage from rain and floods and promoting summer public health work and the well-being of staff and workers. We must step up safety production and insure that the movement to increase production and practice economy is carried out smoothly.

Comrades on all the fronts in the municipality must make the most of the favorable condition brought by the second session of the Fifth NPC, go all out, make persistent efforts, speed up their pace, energetically work for improvements and make new and still greater contributions to the achievement of the Four Modernizations.

CSO: 4006

ECONOMIC PLANNING

LOCAL INDUSTRIES TO BE RUN ACCORDING TO ACTUAL CONDITIONS

Beijing RENMIN RIBAO in Chinese 25 May 79 p 3

[Article by Li Shuodong [2621 2592 0392]: "Running Local Industries According to Actual Conditions"]

[Text] To run local industries, it is necessary to proceed from actual conditions. This is because ours is a very big country in which the resources and industrial foundations vary from place to place.

To develop industry, steel is needed. But is it necessary to develop the iron and steel industry in a given area? It depends on the actual conditions. Some provinces and areas have rich coal and iron resources, and can therefore develop the iron and steel industry. In some areas where coal and iron resources are short, the development of the iron and steel industry entails a lot of investment, manpower and material resources, but produces very slow results.

Over the past ten-odd years, the iron and steel industries in some places have produced large quantities of cast iron and steel materials, and have been of some use to the development of machinery and other industries. But we can not ignore the fact the development of the iron and steel industry in these areas has actually cost too much manpower, material resources and the energy of leading cadres. Take material resources as an example: Rough calculations of the amount of capital funds used in the investment of the iron and steel industry as well as in compensating losses show that to produce 1 ton of steel (including cast iron calculated in terms of steel), approximately 400 yuan of investment is needed, which means that for every 10,000 yuan we invest, only 25 tons of steel can be produced. There are quite a few factors which cause such tremendous investments and losses in the iron and steel industry, and one of the chief factors stems from poor iron deposits and coke resources. Under such circumstances, if we force ourselves to "cook without rice," we are bound to affect the rapid development of economy. As Comrade Mao Zedong said: "The most fundamental method of work which all Communists must firmly bear in mind is to determine our working policies according to actual conditions." We should proceed from actual conditions and give full scope to our own specialties in developing local industries. For instance, the southern part of our country is rich

in nonferrous metal deposits, and there is an abundant supply of tin, antimony, zinc, aluminium, lead, etc. Looking into such nonferrous metal industries as tin, antimony, lead and zinc, we will find that if the products are delivered to the state in exchange for steel, or used for trading in steel from other provinces, or converted into foreign currency to import steel with, for each 10,000 yuan we invest in the construction of tin, antimony, lead and zinc industries, we can trade in 139.3 tons of steel. This does not include the percentage deducted from the foreign currency exchange by the Ministry of Foreign Trade. Evidently, developing nonferrous metals for trading in steel is much more worthwhile than producing steel directly by ourselves. Thus, one way of achieving greater, faster, better and more economical results in developing the industries in such areas is by developing the nonferrous metal industry to trade in steel, which, in effect, is making full use of the strong points to offset the weak points.

Does this violate the policy of industrialization? No. It is the right way of implementing the policy of industrialization. As everyone knows, the establishment of our own integrated and independent industrial system should be on a national scale. Under this guiding policy, each region should be placed in the "overall chess game" of the national industry. Based on their own conditions and features, they should give full scope to their own strong points and contribute to the overall target of materializing the four modernizations. If we do not pay attention to such specific conditions as resources and techniques, and place the same emphasis on each and every area, even to the extent of developing independent and integrated industrial systems in each region, we will not only cause the development of the entire national economy to become unbalanced, but also incur immense wastes. Based on the above understanding, when adjusting the entire national economy, it is also necessary to make appropriate adjustments in the development of local industries. In places where coal and iron resources are short, it is necessary to cut down direct investments in the iron and steel industry. Besides, it is also advisable to cut down investments in certain industrial enterprises, e.g., small scale nitrogenous fertilizer plants not only consume a lot of coal and electricity, they are very costly, and, in most cases, incur losses. It is better to build large scale plants. Thus, it is not worthwhile to enlarge or build small nitrogenous fertilizer plants. In sum, we should make overall analysis and study of available plants and mines: some may require technical innovations in order to give full scope to their production capacity; some may have suffered from losses for a long period due to inadequate coal and electricity resources, in which case merging or close down would be advisable. Industrial products which suffer from lack of resources, inferior quality, low profit and poor market conditions should be appropriately limited and cut down. The capital funds saved from the cut of such industries should be transferred to those industries which can make full use of local advantages. For example, some of the capital can be shifted to nonferrous metal industries, which is well worth doing.

Moreover, we can also shift part of the capital funds saved from the cut back to light industries which use subsidiary agricultural products as raw materials. Developing light industries not only enables utilization of

available enterprises, but also helps to develop commune and brigade enterprises, i.e., the agriculture products produced in the countryside can be directly processed into commodity goods and put on market. It is very important for developing agriculture, promoting the exchange of material resources between urban and rural areas, and satisfying the livelihood needs of the people.

Besides, owing to the plentiful water resources in the south, we can also shift some of the capital to the development of hydro-electricity. At present, the weakest link in industry is energy shortage. If we can make full use of large and small hydro-electricity resources, we can thus greatly accelerate the speed of industrial development.

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CSO: 4006

ECONOMIC PLANNING

SHANGHAI ECONOMIC PLAN SHOWS INCREASES

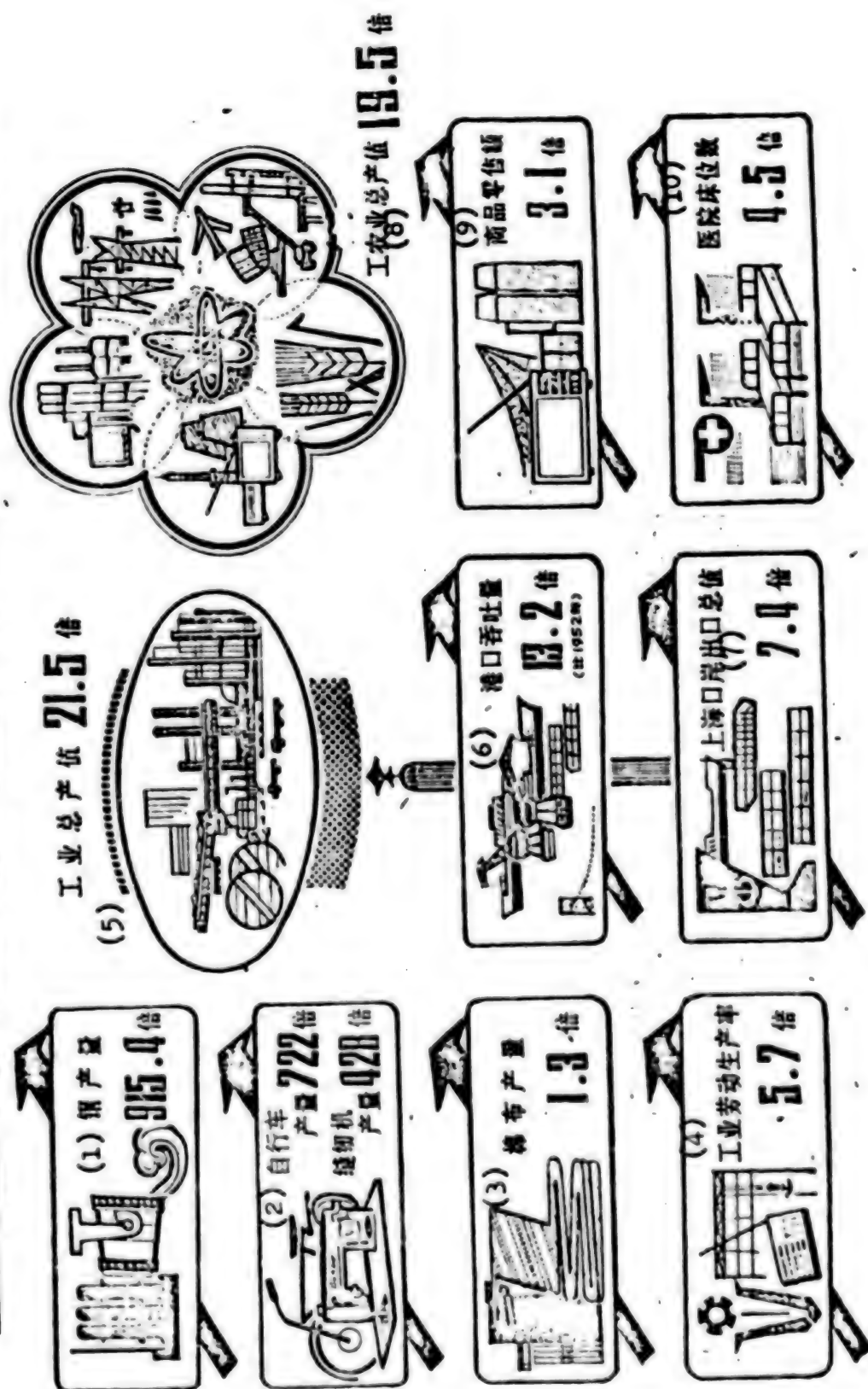
Shanghai JIEFANG RIBAO in Chinese 28 May 79 p 1

[Chart drawn by Fang Dacai [2455 1129 2088]: "Multiple Increases in the Chief Indices of Shanghai's National Economy from May 1949 to December 1978"]

Key:

1. Steel Output: 915.4 times
2. Bicycle Output: 722 times
Sewing Machine Output: 428 times
3. Cotton Cloth Output: 1.3 times
4. Industrial Labor Productivity: 5.7 times
5. Gross Industrial Output: 21.5 times
6. Port Handling Volume: 13.2 times (over 1952)
7. Shanghai Port Gross Export Value: 7.4 times
8. Gross Industrial/Agricultural Output: 19.5 times
9. Commodity Retail Turnover: 3.1 times
10. Number of Hospital Berths: 4.5 times
11. Gross Agricultural Output: 5.1 times
12. Number of Students Enrolled in Colleges, High Schools and
Primary Schools: 3.8 times
13. Constructed Area of Workers' Quarters and Accessory
Buildings: 16.59 million square meters
14. Food Grain Output: 2.6 times
15. Number of Penned Live Pigs: 11.6 times
16. Vegetables on the Market: 8.1 times
17. Deposited Money: 7 times

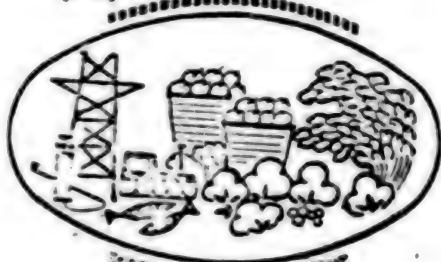
上海市国民经济主要指标



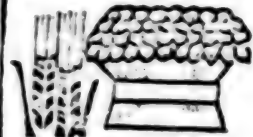
增长倍数

1949.5—1978.12

(11) 农业总产值 **5.1** 倍



(14) 粮食产量 **2.6** 倍



(15) 生猪头存量 **11.6** 倍



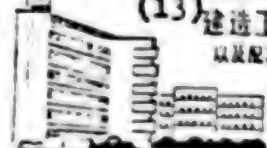
(12) 大、中、小学在校学生数 **3.8** 倍



(16) 蔬菜上市量 **8.1** 倍



(13) 建造工人住宅以及配套建筑面积 **1859** 万平方米



(17) 储蓄存款 **7** 倍



方大才 绘

ECONOMIC PLANNING

PRC ECONOMIC JOURNAL ON BALANCED UTILIZATION OF MARKET

Beijing JINGJI YANJIU in Chinese No 5, 20 May 79 pp 46-55 HK

[Article by Liu Guoguang [0240 6010 9021] and Zhao Renwei [4480 8000 2425]:
"Relationship Between the Plan and the Market in a Socialist Economy"--
passages enclosed in slantlines printed in boldface]

[Text] "The Inevitability of the Integration Between the Plan and the Market in a Socialist Economy"

For a long time, there has been the view in socialist political economy that since a socialist economy is a planned economy and a capitalist economy is a market economy, a socialist economy is incompatible with the market. Although there has been a gradual recognition of the existence of commodity production and the law of value in a socialist economy, the function of planning is still placed in a mutually exclusive position to the functions of commodity production, law of value and market mechanism. In this view where planning has its effects, the market mechanism fails to function; or where planning fails to function, the market mechanism has its effects. The viewpoint which stresses the incompatibility between the market and the nature of socialist economy has brought a series of negative consequences to our economic life. For example:

/Production divorced from actual needs/ Owing to the undue emphasis on planning while disregarding the market, the enterprises production variety and quality, in the main, can only follow the planned targets based on instructions from superior organs and cannot be properly arranged according to the actual needs of society. Thus, the items produced according to the plan arranged by superior organs are, in most cases, not marketable. This resulted in overstocking while items needed by society are in short supply. In addition, the purchasing and marketing of the items produced by the enterprises are monopolized by the state. The bulk of capital goods needed by the enterprises are also under the state's centralized distribution and planned allocation. There is no horizontal relationship between the production enterprises and the consumers and there is no way for them to come into contact. As a result, the producer does not know the needs of the consumer and the consumer has no influence on the production process.

Since the defect of planned target divorced from actual needs cannot be quickly reflected by the market mechanism to make a timely correction, the persistent lack of coordination among production, supply and marketing cannot be resolved.

/Planned price lost touch with reality/ Due to a disregard for the objective demands of the law of value in the formulation of prices, the planned prices of many products constantly and to a great extent deviate from their value. Under such price conditions, the management results as indicated by the indices of production output, profits and so on do not reflect the actual performance of management. Furthermore the losses and gains caused by unreasonable price factors cannot be used as indicator of the performance of enterprise management. Planned prices are always static and seldom take into consideration the changes of supply and demand.

When there is a shortage of commodities and supply lags far behind demand, the prices are seldom adjusted to promote increased supply and control demand. On the contrary, tickets are issued to ration the supply so that the tickets perform the function of supplementing the currency. Thus the scale of value becomes pluralized. People have called this "planned supply" and viewed it as embodying the essence of a socialist planned economy. However, this is the method which any commanding officer of a besieged city would adopt and has no natural relationship with a socialist planned economy. Of course, at certain times and under certain conditions it is permissible for a socialist planned economy to institute supply quotas and fixed prices. However, this method cannot economically promote the production of commodities in short supply. On the contrary, it only prolongs and deepens the unfavourable position of the producers of these commodities and actually reduces production and supply. Therefore, it not only is incapable of ultimately solving the contradictions between supply and demand, but in most cases only intensifies such a contradiction.

/The supply system in the distribution of capital/ We have disregarded the function of the market not only in the production and exchange of products but also in the accumulation and distribution of capital. This is markedly manifested in the centralization of income and expenditures in financial affairs. In the past, all or most of the income of our enterprises, including their net income and the basic depreciation fund, had to be turned in to the state. When the enterprises needed funds to develop production and improve their welfare schemes, they could always ask for funds from the higher levels. Since the state provided the enterprises with all the fixed assets and the greater part of the working capital without compensation, the enterprises did not have any economic responsibilities for the effective use of capital. Due to the lack of direct connection between material benefits and successful management, the economic accounting of the enterprises became a mere formality. Such accounting was merely for the sake of keeping the books and not for the utilization of the collective material benefits of the workers to increase the rate of production. Under such circumstances, though many administrative documents

and appeals were issued, both the enterprises and the workers lacked any sustained motivation for economizing on consumptions in production, improving the product quality and increasing the variety of goods to suit the needs of the consumers. It was impossible to overcome the putting off of work and waste for an extended period of time.

/The inclination for self-sufficiency in the enterprise structure/ A socialist economy is based on large-scale socialist production. There is extensive specialization and coordination among the various enterprises, regions and departments. This is especially true when specialization and coordination of production are further developed as technology advances. However, due to the disregard for market relations, the management system for small-scale production is adopted in handling large-scale socialist production. As a result, many of our enterprises have turned away from specialization and coordination and developed along the line of self-reliance and self-sufficiency. Therefore, our industrial enterprises are either "small but complete" or "large and complete." Many of the enterprises have not only become all-round factories but a society in themselves. The imbalance between production supply and marketing, the breach of contract by the supporting units, and the lack of guarantees for the supporting component parts are factors which, in most cases, also force the enterprises onto the road of all-round factories. However, judging from society as a whole, this has a good deal to do with the exclusion of market relations.

It must be pointed out that the viewpoint which denies the positive effects of the relations between commodity and currency and stresses the incompatibility of planning and the market, has not only created much disruption in terms of practice but is also unsound on the theoretical level. Of course, a socialist economy which is based on the public ownership of the means of production is an economy of planned development. However, the planned development of an economy is not antagonistic to market relations; rather, it is opposed to spontaneity or anarchism. The latter is the basic feature of a social economy based on private ownership; whereas market relations are not unique to a social economy based on private ownership. A natural economy and not a planned economy is opposed to market relations. There is no relation between commodity and currency in a natural economy save the relation of distribution in kind. This is the basic feature of a self-sufficient and closed social economy. But market relations are founded on the specialization and coordination of a society. Market relations are not necessarily spontaneous or anarchic. It all depends on the kind of ownership, the market relations can be consciously controlled to serve the socialist planned economy. Since market relations are based on the socialization of the specialization and production of a society, from this view it is not incompatible with the planned socialist economy founded on large-scale socialist production. On the contrary, they have much in common. The planned socialist economy is one which contains the condition of the relation between commodity and currency. It is only opposed to spontaneous market economy and natural economy. It is not opposed to the market relations consciously controlled by men.

The following traditional concepts can be used to account for the past one-sided emphasis on planning and disregard for the market in the past. The first one is to equate a market economy with spontaneity and especially to equate it with the anarchism of a capitalist market economy. The other one is to confuse a planned economy with a natural economy. The former traditional concept has been used by some people as the weapon to oppose the utilization of a market economy. Anyone who talked about using a market economy was denounced for promoting capitalist activities. The latter traditional concept was often used by some people as the theoretical argument for passing a natural economy off as socialist planned economy. Under the umbrella of these two inter-related traditional concepts, with seeming persistence in a socialist planned economy and opposition to a capitalist market economy, many things which do not benefit the development of a socialist economy are being nurtured. Economic management with economic means has been replaced by pure administrative means of economic management; work according to objective economic laws has been replaced by work according to the "will of the leading officials"; patriarchal control was installed instead of letting the people determine their own affairs; scientific management suitable for socialized large-scale production was replaced by feudal mandarin management suitable for a natural economy and so on. In a country which originally had an underdeveloped commodity economy and where 80 percent of its population are still semi self-sufficient peasants, these traditional concepts and ways of doing things indeed have their deep-rooted social foundation.

In order to fully break down these traditional concepts and achieve proper integration of the plan and the market, it is necessary to further investigate the causes for the existence of the market and the relationship between commodity and currency. With regard to this problem, it has always been the opinion of many economists to explain it by the coexistence of the two modes of socialist ownership of the means of production. It is our opinion that, at the present time, the commodity-currency relationship between the two modes of socialist ownership is extremely important to the development of socialist economy. We must attach great importance to the commodity relationship between the two public ownership systems and respect the autonomy of the public ownership units as a commodity producer. This is especially important when our country still has a large agricultural population and collective ownership is still playing a decisive role in agricultural production. However, merely using the coexistence of the two public ownership systems as an explanation for the existence of commodity-currency relationship has really not touched the core of the problem. Such an opinion, in actual fact, still regards commodity and market relations as incompatible to the nature of ownership by the whole people, which is the most important part of socialist public ownership. It can only explain the necessity for the existence of commodity and market relation due to influences outside the system of ownership by the whole people and not what is inside the system itself. There have always been certain prevalent viewpoints within economic circles which hold that the means of production allocated within the system of ownership by the whole people are in actual

fact no longer a commodity by themselves but merely the outer shell of the commodity ("the outer shell theory"). Another viewpoint is that the law of value has no adjusting effects on production. It has already been replaced by the law of planned proportional development of the national economy ("the theory of replacement"). Still another viewpoint is that the law of value and factors related to value such as price, profit, cost of production and interest and so forth are not objective economic mechanisms. They are just treated as dispensable instruments in the process of accounting ("the instrumental theory"). All these are actually derived from the basic viewpoint of "the theory of external causes."

In our opinion, the existence of commodity and market relations within the system of socialist ownership of the whole people is determined by the relation of material benefits specific to the stage of socialism. Under the condition of public ownership of the means of production, the relation between exploitation and being exploited among human beings, that is to say the antagonism between their material interests, has been abolished. However, as we are still in the socialist stage, and labor is still the primary necessity and the means to make a living. Since the laboring capacity and contributions among different individuals varies, there are differences between their material interests. These differences not only manifest themselves among individuals but also among different enterprises within the system of ownership of the whole people. The differences in production output in different enterprises which is not the result of objective factors but the result of its own management, must end in a difference of material interest for the enterprises and their workers. Otherwise, this would be detrimental to the development of production. Therefore, the economic relations among the enterprises within the system of ownership by the whole people (relatively independent economic accounting units) must follow the principles of compensation at and exchange at equal value. Disobeying these principles means a denying of the differences in material interests among people. This would in turn disrupt the relations of material interests among them. These relations of material interests which apply to socialism are the direct cause of the existence of commodity and market relations under the condition of socialism. (Of course, its material premise is the socialization of the division of labor and production.) These commodity and market relations are deeply rooted in the difference of material interests among people. The related economic areas which reflect these relations are definitely not dispensable tools nor do they possess merely the outward form. They are economic mechanisms which have an objective existence and concrete contents. Here it should be noted that the so-called human labor under the condition of socialist public ownership is, in fact, the direct social labor. Here what is referred to is the relationship between individual and social labor, disregarding the obstructions in the spontaneous market based on the foundation of private ownerships. In reality, in the socialist stage, we must apply the principle of exchange of equal amounts of labor that is exchange of equal value among individual workers and among different enterprises. Therefore, the direct social aspect of labor must manifest itself through a planned market. That is to say, the

planned distribution and economizing of social labor must depend on the market mechanism of the relation of material interests specific of the socialist stage.

It can be seen that in a socialist economy, the relationship between the plan and the market is neither mutually exclusive nor is it a formal combination created by factors external to it. Rather, it is an internal organic integration determined by the essence of a socialist economy. If we say that the unity of material interests among different people, brought by the public ownership of the means of production, is the objective foundation for the practicability of planned management in a socialist economy; then, the difference of material interests between different people is the cause for the continued existence of the market in a socialist economy. This kind of unity and disunity of material interests between different people in a socialist economy is exactly the objective foundation for realizing the unity of the contradiction between the plan and the market.

"The Problem Concerning the Utilization of the Market in a Socialist Planned Economy"

The development of a commodity economy and the utilization of the market mechanism cannot be removed from the activities of the individual commodity producers in the market scene. The main body of the socialist market, besides the collectively owned enterprises, consists of enterprises owned by the whole people (in some countries, they are owned by the society as a whole). These enterprises supply the market with consumer goods and means of production. At the same time, they also obtain means of production from the market. In order to exert the market function, the enterprises units owned by the people must have a certain degree of economic autonomy and interaction as independent commodity producers. If the enterprises owned by the whole people always have their hands tied, are deprived of their authority and responsibilities, the so-called utilization of the market is just empty talk. Therefore, the problem we are now discussing is closely connected to the problem of enlarging the limits of authority of the enterprises.

At the same time, utilizing the market in a planned economy is closely related to exerting the economic lever and mechanism for example, price, cost of production, profit, credit, tax, and so forth, related to value. The management results of the various production units and the material interests of the producer must be integrated. This is the essence of using economic means to manage an economy. If we neglect the effects of using these economic levers and mechanisms, neglect the economic interests of the enterprises and use pure administrative means to manage our economy, then we are not talking about the utilization of the market at all. Therefore, the problem we are now discussing is also closely related to the problem of using economic means to manage an economy.

In short, the utilization of the market in a planned economy is related to enlarging the power of the enterprises in the area of management authority

as well as fully utilizing economic means in management methods. All these are for the reasonable distribution and economy of all of society's material, financial and human resources according to its actual needs.

Then, in the allocation and utilization of material, financial and human resources, how should the transfer of management authority to a lower level be integrated with the utilization of economic means so as to give full rein to the functions of the market mechanism?

/Solve the problem of commodity production, supply and marketing in the arrangement and utilization of material resources. Achieve production according to market demands, supply according to the level of production and integration of production and demands/ How do we determine what the enterprises should produce and how much it should produce? How should the products of the production enterprises be marketed? How should the means of production needed by the enterprises be supplied? As discussed above, the method of organizing production supply and marketing, which rejected the market mechanism, always results in social production divorced from social needs. This often leads to failure to fulfill all the goal of socialist production and satisfy the needs of society. The basic principle of a socialist economy is to determine what should be produced and how much should be produced according to the needs of society. Theoretically, arranging production according to the national plan and according to social needs are basically the same. However, in reality, there are contradictions. The reason being that in national planning it is basically the needs of the country that are considered and this can only reflect, in a very superficial manner, the needs of society. It fails to concretely and flexibly take note of the changing needs of the various areas and is unable to consider the concrete condition of production techniques in enterprise units. To achieve harmony between production and demand so that the production of society will satisfy its own needs in terms of the quantity, assortment and quality of the products, this contradiction must be solved. In order to do this, the production plans of the enterprise should not be restricted by targets dictated by superior organs. Rather, it should be determined, under the guidance of the national plan, according to the concrete needs of the market and the concrete situation and the interest of the enterprise itself. This is to be fixed by the signing of production and marketing contracts as well as purchasing and sales contracts. To supplement this, no matter in the circulation of the means of consumption or the circulation of the means of production, the habit of monopoly of purchase and sales by the state-operated commercial departments or resources organizations without regard to sales conditions must be changed. With the exception of the few items in short supply which cannot be guaranteed in adequate supply within a short period of time and have to be distributed after consultation with the state's supply departments, all other resources are to be bought and sold in the market. The circulation of the means of consumption must achieve the gradual integration of selective commercial purchases and independent selling by the enterprises. This will satisfy the demands of consumers and achieve the goal of production according to market conditions. The circulation of the means of production must also be gradually commercialized so as to

achieve direct linkage between production and marketing. This can also be done through intermediate wholesale enterprises. This will satisfy the needs of the producers as well as achieve the goal of supply according to the level of production. The reinforced utilization of the market mechanism in matters of production, supply and marketing is vital to abolishing the problems of goods failing to meet the required standard and the existence of both overstocking and a shortage of goods. This is also vital to raising the quality and quantity of the products, lowering the production costs and improving the variety. Lastly, it will also enhance the interests of the producers and protect the rights of the consumers.

/Achieve self-management of financial affairs and assume full responsibility in profits and loss in the allocation and utilization of financial resources in the enterprises; implement the principles of compensated employment of capital and input of capital according to economic usefulness/ Up to now, in terms of the management of financial affairs and capital, we are implementing a supply system which disregards the market mechanism. This not only promotes the inclination to compete for investments, material resources and foreign exchange, but is also unfavourable to improving the effects of investments and urging the enterprises to budget their accounts. To correct this trend, the primary thing to do is to replace centralized income and expenditure by the self-management of financial affairs and assumption of full responsibilities of profits and losses in the enterprises. The crediting function of the banks should also be strengthened. The most thoroughgoing way to achieve full responsibility of profits and losses in the enterprises is, under the premise of a rational adjustment of prices and taxation, to do away with any demands on the profits from the enterprises with the exception of taxes, expenses, repayment of loans and interest as required by state legislation. The rest of the income should be independently allocated by the enterprises, according to the centralized decrees and orders of the state, for investments in reproduction, increase of workers income and collective welfare. As a temporary measure, after fulfilling the economic tasks of turning in the required amount of taxation and profits as required by the state, the enterprises should be allowed to put aside a specified amount of enterprise funds from their profits as material incentives for the workers and for their collective welfare. At the same time, the retained basic depreciation fund and the overhauling fund can be merged and used for the needs of developing production through investigation of potentials, renovation and reform.

The uncompensated employment of capital should be replaced by compensated employment of capital. The first prerequisite is to raise a tax for employment of capital on all fixed assets established by the financial allocation of the state according to a certain percentage of the total capital. This kind of possession tax or installment method should be integrated with the system of retention of enterprise profits. This would enable those enterprises which have better capital utilization and management results to retain more of their actual increased profits. This would bring them more material benefits. Therefore, the implementation of the system of

compensated employment of capital is beneficial to encouraging the enterprises and their workers to exhaust all their potentials, economize their use of capital and fully exert the effects of the capital employed.

After the implementation of self-management of financial affairs in the enterprises becomes more complete, we should consider the gradual abandonment of the method of state allocation of all the investments in capital construction and of part of the working capital. The production development fund of the enterprises should be drawn from the pure income or retained profit of the enterprises and raised partly by the enterprise itself. Besides these, the investment for capital construction should on the whole be handled by bank credits. The working capital should also be obtained entirely by credit. By assuming full responsibilities for profits and losses and self-management of financial affairs, the enterprises can use the income and bank credits, on which the capital and interest have to be repaid, to develop their production. In this way, they would not be so irresponsible as in the past when the capital was provided without compensation. On the contrary, they would have to work cautiously and practice economy. In forwarding credits for investments in capital construction and for the working capital, the banks should follow the policy of differential and adjustable interest rates. At the same time the investment efficiency of the various departments and items should be considered so that the forwarding of credits can be selective.

/In the arrangement and utilization of labor resources, employment should be commensurate with ability. A certain degree of free choice should be allowed. Use economic means to adjust the supply and demand of labor/ In the past, the use of administrative means dominated the arrangement and distribution of human, financial and material resources. Among them, the distribution of labor resources is by far the furthest from the market mechanism. The common practice is for the labor department to allocate the labor forces according to the planned target. After strenuous efforts along this line, the labor demands of certain departments are guaranteed to a certain extent and some of the workers are employed. However, this kind of pure administrative method of distribution also brings with it many problems. The enterprise is often unable to employ workers commensurate with its own needs. The individual is often unable to choose the job according to his own interest and specialty. The kind of job to be done depends on the assignment from above. In actual practice, it is impossible to avoid a large measure of randomness. This trend is obviously unfavourable to the rational use of the labor force, to the implementation of economic accounting system and to raising the effectiveness of economic activities.

To eradicate the various irrational phenomena in the allocation and utilization of the labor force and fully tap everyone's potentials, we have the following suggestion. In the allocation of labor forces, the principle of employment commensurate with abilities and the principle of integration of planned allocation and freedom of choice in employment should be applied.

Under the guidance of the national plan and within the confines of state legislations, the enterprises should have the right to employ the needed workers through the labor department according to the technical demands of production and the principle of employment commensurate with abilities. They also have the right to refer the excess staff to the labor departments for reallocation to the units in need or they may organize training courses with all the appropriate arrangements. The living expenses of unemployed workers should be covered by the social security fund. Under the premise of the individual serving the general needs of society, there should be a certain degree of freedom in the choice of work. It must be noted that the free choice of work is a very important part of the individual's freedom of development. As pointed out by the founder of the scientific communist theory, the individual's freedom of development is the condition for the freedom of development of humanity. In the socialist stage, especially since our country has a relatively low level of productive forces, it is impossible to implement complete freedom in the choice of work as in the stage of communism. However, socialism still tacitly consents to the idea that the individual's laboring capability is part of his natural rights. Besides, in implementing the principle of distribution according to work, the expenses involved in simple and even enlarged reproduction (including raising, training and further studies) are to various degrees shouldered by the individual worker and his family. Therefore, we cannot deny that the individual worker, to some extent, possesses the right of ownership to his own labor. For this we must allow for a certain degree of freedom in the choice of work. This is beneficial to implementing the principle of each according to his ability and distribution according to work. This is also beneficial to the exertion of the individual's capacities as well as to the development of society.

Of course, a certain degree of freedom of choice in work for the individual does not mean making allowance for the uncontrolled free circulation of the labor forces among the enterprises, departments, between the city and countryside and among the regions. Administrative and legal means should not be adopted to control the mobility of labor forces. Rather, economic means in addition to more rigorous ideological education should be adopted. For example, the method of subsidies for continuous work orders can be adopted to encourage the worker to stay in a certain enterprise unit for a longer period of time. The differences between the wages of different regions can be adjusted according to the actual situation and measures can be adopted to improve the living conditions so as to stabilize the work force in remote areas.

From the production, supply and marketing of commodities and the arrangement and distribution of human, financial and material resources, we have already discussed the problem of how to utilize the market mechanism in a socialist planned economy. It must be pointed out that in the utilization of the market mechanism, two general problems need special attention. They are the price problem and the problem of competition. The following is a general survey of these two problems.

/The Price Problem/

For a long time, due to the denial of the adjusting effect of the law of value on socialist production, many people held that prices should be fixed indefinitely. This had turned the policy of the relative stability of planned prices into one of prolonged freezing. However, since economic life is constantly changing, the various objective factors influencing the prices of commodities are also changing. The artificial freezing of prices will only push prices further and further away from the objective reality. This is contrary to the demands of objective laws. For example, changes in the labor production rates and subsequent changes in the value of commodities is one ultimate factor determining price changes. As we all know, the changes of the labor production rate between different departments are not the same. Under the present conditions in our country, the growth of labor production rates in the industrial departments is faster than that of the agricultural departments. At present, the price scissors in the agricultural products of our country, in reality, are not solely due to historical factors. With a faster growth rate of industrial labor production as compared with agriculture, the unchanged price parities actually mean an enlargement of the price scissors. In addition, the relations of supply and demand are also important factors influencing prices. Yet, immobile and static prices do not reflect the changes in the relations of supply and demand, although the supply and demand of many products are in a state of prolonged imbalance, such an imbalance cannot be adjusted through price changes. For those products which lose money due to extremely low prices, the prices are maintained through financial subsidies. For a certain period of time, this has a positive effect for guaranteeing continuous production and providing stability for the people's livelihood. However, this method is basically unfavorable to improving business management and developing production. This, after all, is just a temporary solution to the problem. It is only through the radical measures of developing production and increasing supply that the contradiction of supply falling short of demand can be ultimately solved. In the past, it cost us a lot to keep the prices unchanged. A large amount of tickets and lining up only brought equal distribution of poor quality. Most of the time, items that were rationed supply and sold at fixed prices were produced slowly due to a lack of stimulation. The tense supply of such items then became increasingly difficult to ease. There is plenty of evidence to show that planned targets are hard to meet once prices are irrational. At present, the gap between the price and value of many of our products is becoming wider and wider. This has affected the development of certain departments especially the agricultural, raw materials and fuel industries. This has also affected the harmony among agriculture, light and heavy industries.

In order to change this situation, we must first narrow the gap of the exchange differential between industrial and agricultural products according to the spirit of the third plenum and continue to adjust the price parities of the products of the major departments. We must also allow the enterprises to adjust the planned prices of products to a certain degree.

This, in reality, is a problem of whether to recognize prices as a market mechanism or not. Allowing a certain range for price fluctuations beneficial to adjusting the relations between supply and demand and to promoting the development of production. This is a very good example of using a market mechanism under the guidance of the plan. Of course, allowing for this kind of price fluctuation does not mean the negation of any price control. In actual fact, the stipulation and changes in the range of price fluctuations cannot be divorced from the guidance of the plan. For the few major consumer items which are closely related to the life of the masses and for important means of production which have extensive influence on the cost of production, it is necessary for the state to centralize price stipulations and practice price control during certain periods.

/The Problem of Competition/

The existence of a commodity economy implies competition. A certain degree of competition and price fluctuation is mutually related and mutually conditioned. They are both the organic parts of the market mechanism. If there are not price fluctuations and differentials, there is no competition. On the other hand, if there is no competition, price fluctuations and differentials would not be a reality. If so, the law of supply and demand in the market would not function properly and the law of value would not be carried through. (Engels said: "It is only through competition and subsequently the fluctuation of commodity prices that the law of value of commodity production can be carried through and the principle of commodity value being determined by the number of work hours can become a reality in the society." "Collected Works of Marx and Engels," Vol 21, p 215) As mentioned above, production and organization of supply and marketing according to market demands, input of capital according to investment results and allocation of personnel according to the principle of employment commensurate with abilities cannot be dissociated from competition.

When talking about competition, it is easy for people to associate it simply with capitalism. However competition is not an economic phenomenon unique to capitalism. It is the economic phenomenon of commodity economy. Since commodity production and commodity exchange exist under the socialist system, if we deny competition, we are in reality denying the objective existence of a commodity economy and the effects of the law of value. The various enterprises in a socialist society appear as commodity producers in the market scene and are so related to each other. Whether the quality, quantity and assortment of the commodities they produced are welcomed by the market and the consumers and whether the individual labor consumption in the production of the commodities is higher or lower, and to what extent, than the necessary labor consumption of society, all these would affect the material interests of the enterprises and their workers. Competition between enterprises has a positive effect on improving the techniques of production and business management, reducing various kinds of consumption, raising the labor production rate and the quality and quantity of the products and increasing variety of goods. This kind of competition helps to put the

management results of the enterprises to the test of the market. This will also satisfy the consumers' demand for a wide range of quality goods at reduced prices, thus promoting advances of the productive forces of society.

Of course, there are fundamental differences between the competition in a socialist market and competition in a capitalist market. The most basic one is that: Competition under the condition of socialist public ownership is established on the basis of unity of fundamental interests. Competition under the condition of capitalist private ownership is a life and death competition established on the basis of antagonistic interests. Socialist competition not only does not rule out cooperation, but in fact is founded on cooperation and a close integration with it. As a result, it can avoid the evil consequences caused by capitalist competition such as the chaos of anarchism and the disparity of wealth.

Competition under the socialist system and what we used to call socialist emulation have their common points as well as their differences. Both socialist emulation and competition are means to spur the backward to catch up with the advanced and the advanced to push ahead. However, socialist emulation does not necessarily conform to the material interests of those taking part in it; nor does it involve the elimination of the backward. As for socialist competition, it is by necessity associated with the material interests of the competitors and thus involves the elimination of the backward. Those enterprises which have been proven unable to suit the demands of the market and, due to reasons of their own, are constantly unable to maintain simple reproduction must be eliminated for the sake of maintaining the collective interests of society. They must either be closed down, combined or transformed. The material responsibility of the personnel involved must be investigated. Employment for the staffs of these eliminated enterprises can be reallocated through the labor department of the state so that they will not remain unemployed as happens in a capitalist society.

In short, there is much room for the market factor to exercise its positive influence in a socialist planned economy. No matter whether it is in the production, supply and marketing of commodities or in the arrangement of capital management and labor forces, the market mechanism can be utilized to serve socialist construction. Within its confines, a certain degree of price fluctuation and competition is necessary. If used properly, the market is beneficial to fulfilling the planned targets. It would ensure the rational and effective utilization of social resources and satisfy the various needs of society.

The Problem of Strengthening the Planned Nature of Economic Development While Utilizing the Market Mechanism

In the process of our socialist economic construction, there has long existed the tendency to disregard the market and deny the utilization of the market mechanism to serve the socialist planned economy. If this kind of tendency is not rectified, it will be impossible to exert the positive

influence of the market and secure a better integration of the plan and the market in the socialist economy. However, in order to correctly handle the relations between the plan and the market, we must prevent and oppose yet another deviation, that is, the inclination to one-sidedly inflate the market effects and disregard or even deny the effect of planning. It must be pointed out that while we are discussing this problem, there are already such deviations inside and outside the country. For example, there are people who sweepingly call a planned economy a bureaucratic economy. Some people identify planned management with pure administrative means of management. The most obvious expression of such a tendency is to look at a planned economy as something derogatory. At a time when we are trying to reaffirm the significance of the market in a socialist economy, we must take special heed against such a tendency. We must not overlook the guiding effect of national planning or social planning. Although we want to put much emphasis on developing socialist commodity production and strengthening the market factor to serve the socialist construction, we are not adopting a laissez-faire attitude. We should not allow the "invisible hand" of Adam Smith to tamper with our economic development because the effects of that hand have the self-interests of capitalism as its starting point. There are two special features in the relation of material interests in a socialist economy. They are: Firstly, the integration of individual interests, partial interests and collective interests; and secondly, individual interests and partial interests obeying the collective interest. The correct handling of these factors has to pass through the regulation of national planning or social planning. Therefore, the development of a socialist economy cannot rely solely on the regulation of the market without guidance of the plan.

For example, as the main body of the market, the choices made by the individual consumer according to his own preferences and the individual producing units according to their own interest do not necessarily conform to the overall interests of society. The effects brought along by the free choices of this main body of the market do not necessarily lead to economically rational distribution and utilization of human, financial and material resources in society. They do not necessarily conform to the demands of social development. In the process of rapid socialist industrialization and modernization, a greater measure of change is often required in the industrial structure and production layout within a short span of time. If the individuals of the main body of the market are allowed free choices, these may often fall short of the demands of the rapidly changing industrial structure and production layout. This problem, which involves overall considerations within the development of a socialist economy, cannot be solved solely by the market mechanism. It must rely on the regulation of national or social planning in order to carry out such changes. It can be imagined that without the regulation of national planning and allowing the free play of the market, it would be extremely slow and difficult to effect the rational layout of production. This is especially so in developing the economy of remote areas.

Further, in a socialist economy there will exist differences of income due to the differences of objective conditions (such as natural conditions, market conditions, the level of equipment and so on). If the state does not interfere with this kind of graded income and leaves it to the regulation and distribution by the market, it would irrationally enlarge the gap between the material interests of different units. This is contrary to the distribution principle of socialism. If looked at from a wider perspective, socialism should oppose the disparity in income differential, as well as egalitarianism. Moreover, in order to oppose the tendency of egalitarianism, differential development should be practiced at certain times to make certain people rich so that they in turn may make everyone prosperous. This would create an atmosphere of common advancement. It is obvious that to control and regulate this kind of enlargement or narrowing of interest differentials (within the perspective of the whole historical stage of socialism, the longterm trend is for its gradual narrowing) we cannot leave it to the market and forsake planning.

In short, we must keep our economic development in the direction of socialism and secure the coordinated development between the various departments of our national economy and the various regions. We must also safeguard the public interest of the whole society and correctly handle the material interests of the various quarters. These must be done by utilizing the market mechanism as well as strengthening the unified guidance by national or social planning. Someone has made the following analogy about the relationship between the plan and the market: The policies of the plan are compared to looking at things from the mountain top whereas the policies of the market are compared to looking at things from the valley. The former misses the details but gets an overall view while the latter misses the whole picture but is very detailed. From a certain point of view, this analogy is very meaningful. The decisions made by the leading economic organizations of society often tended to consider the collective and overall interests while the decisions of the individual commodity producers and consumers tended to consider individual and partial interests. The principle governing the handling of the material interests between the state, the collective and the individual is overall planning and all-round consideration. Proper arrangements should be made to avoid preoccupation with any single aspect. Therefore, in harmonizing the interests of the three parties, both the regulation of the market mechanism and the guidance of centralized planning are required.

Then, how should the planned management of the national economy be strengthened to exercise the guiding effects of centralized planning? The answer to this problem has close connection with people's understanding of what is a planned economy. In the past, it was commonly held that a socialist planned economy meant the issuing of instructive planned targets from above by the state. Within such a context, when talking about strengthening centralized planning and collective leadership, it was often related to the centralization of all the management powers of the enterprises. It looked as if a good commanding job was based on concentrating all the financial, material

and human powers in one hand. In this way, the leading economic organizations were overstepping their authority in monopolizing things which should be handled by the locality and the enterprises. This kept the hands of the basic level and the enterprises tightly bound. This is exactly what the 3d plenum of the 11th CCP Central Committee criticized as overconcentration of management power. The basic feature of a socialist planned economy does not depend on whether it has any instructive planning, nor does it depend on how much financial, human and material power the leading national economic organizations have gathered. It all depends on how society can, according to prior scientific predictions, consciously adopt effective measures to guarantee the harmonious development of the various aspects of social economic life and safeguard the economic use of social labor. Some people regard the absence of an instructive plan as the only indicator of a planned economy. Still others regard the centralization of financial, material and human power as the primary way to strengthen planned management. These erroneous conceptions concerning a planned economy have the same traits as the one rejecting the utilization of a market economy. Then, under the condition of recognizing the necessity for integrating the market and the plan and of the positive utilization of the market mechanism to serve socialist construction, how should planned guidance be strengthened?

It is our opinion that we must first place the main emphasis on the investigation and formulation of long-term plans, especially in the five-year plan, to solve the strategic problems in the development of our national economy. The most important thing is to first establish the primary objectives and important proportional relationships for the development of the national economy. These include the ratio between accumulation and consumption in the national income, the scale of capital construction, the directions for investment distribution and the items of key-point constructions, the level of development for important industrial and agricultural products as well as the degree for the uplifting of the people's living standard. The five-year plan has to list out the yearly targets. The yearly plan should be adjusted according to this basis and the main emphasis should be on the investigation and formulation of policies for the fulfillment of the plan. The scope of the instructive plan should be gradually narrowed and ultimately the production and construction targets rigidly set down by the state for fulfillment by the enterprises should be abolished. The national plan has the significance of prediction for the development of the national economy and has instructive significance to the economic activities of the enterprises and the locality. However, besides a few specially important items, it generally has no restraining power over the enterprises and the locality. With reference to the demands of the national plan and in accordance with the market situation, the individual enterprise independently formulates its own plans on the foundation of fully exploiting its inherent potentials. Here, we should not slight the significance of the national plan as a guideline because the individual enterprise does not have a clear picture of the overall direction of the development of the national economy. The changing market situation on which they depend to formulate their own plans are closely bound up with the overall development and direction of the national economy. In order to pass precise judgement on the market situation, the

enterprises must rely on the information provided by the national plan. The more scientific and realistic the formulation of the national plan, the more reliable it would be for guiding the economic decision and activities of the enterprises. In this way, the enterprises have to pay more attention to the demands of the national plan in formulating its own decisions and activities. Thus the prestige of the national plan will be enhanced. On the other hand, for those plans derived from the subjective brain work which only conform to the "wishful thinking" of the "leading officials," they may be 100 percent "authoritative," but they can never be truly convincing. In this respect, is our past experience not bitter enough? Therefore, national economic plans must be able to give reliable guidance to the economic activities of the enterprises and conform to scientific demands. In the research and formulation of these plans, the tasks and responsibilities of the leading economic organizations are not reduced but actually increased.

In order to enhance the genuine prestige of the national plan and achieve better integration of the national plan and the planning of basic level enterprises, the national plan should be formulated through coordination in various levels upon the foundation of the independent planning of the enterprises. The work of plan coordination must be from the lower level upwards, integrated from top to bottom and achieve balances at each level. The problem of balance between production and marketing, the problem of cooperation in capital and the problem of labor coordination should be solved through horizontal market relations and economic agreements. They should not generally be referred to higher levels. Only those problems that cannot be solved at the lower level should be referred upward for the balanced solution by the state. This will achieve the dual purpose of freeing the basic level enterprises from unnecessary interference from above and at the same time free the leading organizations of the national economy from the unnecessary details of administrative work. Thus these organizations can concentrate on the investigation and formulation of policies and coordinate the important tasks of development for the whole national economy.

In order to guarantee the coordinated development of social production and fulfill the targets set down by the national plan, the primary problem is to exercise the guiding effects of the various economic policies and measures on economic activities. These policies and measures in the main include the policies of: Price, taxation, credit, investment, distribution and foreign trade. Through these economic policies the state may encourage the development of those production and construction undertakings needed by society and restrict the development of the undesirable ones. In this way, the economic activities of the enterprises will be favorable to the fulfillment of the national plan and to reaching the designated targets. For example, at present the raw material and fuel industries lag far behind the processing industries. In order to overcome this, we must speed up the development of the raw material and fuel industries. The state must turn

on the green light for these departments in terms of economic policies. This should include provisions for preferential credits, adjustment of prices and reduced taxation. On the other hand, in order to restrict the development of the ordinary machine tool industries, the state should restrict the amount of credit and adopt the methods of high interest and tax rates and reduced prices for the products. Through the regulation of these economic policies, the enterprises will have to consider its own economic interest and arrange their economic activities along the lines set down by the national plan.

While this system is being put into practice, the state should also, by strengthening its rule by law, rigorously enforce economic legislation and extensively establish systems of mass supervision and social supervision. The supervision system of bank bookkeeping must be especially established and strengthened so as to coordinate market relation and the development of the whole national economy. However, this article will not discuss this problem further.

The problem of the plan and the market in a socialist economy involves the various aspects of socialist economic management. Since it is very complicated, its solution cannot be achieved all in one blow. Its solution requires definite conditions and must be resolved through definite procedures. At present, we have to spend considerable time adjusting the proportional relationship in our national economy. At the same time, we are proceeding with the reform of our economic structure and continuing with the renovation of existing enterprises. We are aiming to raise extensively the level of our economic work. In the process of adjustment and restructuring, we must make the certain necessary reforms and find the correct path for further improvements. The correct handling of the relation between the plan and the market has to be gradually realized through this process of adjustment, restructuring and consolidation.

CSO: 4006

ECONOMIC PLANNING

BRIEFS

SHANDONG ENTERPRISE MANAGEMENT--In order to implement the principle of readjustment, restructuring, consolidation and improvement and push enterprises forward, the Shandong Provincial Economic Commission decided to run enterprise management research classes to train principal leading cadres at and above county levels in charge of industrial and communications affairs group by group. The first series of the classes opened on 29 June. Vice chairman of the Shandong Provincial Revolutionary Committee Song Yimin attended the ceremony. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 4 Jul 79 SK]

JIANGXI PREFECTURE INDUSTRIAL PRODUCTION--The industry and communications front of Ganzhou Prefecture has launched the movement to increase production and practice economy. From January to May, the prefecture's industrial production increased by 14.67 percent as compared with the same period of last year. The prefecture had earned a profit of some 8 million yuan, up 36.51 percent as compared with the same period of last year. [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 27 Jun 79 HK]

CSO: 4006

GENERAL ECONOMIC INFORMATION

CHONGQING PEOPLE'S COURT SETS UP ECONOMIC DIVISION

Beijing XINHUA in English 0155 GMT 20 Jul 79 (W)

[Text] Chendu, July 20 (XINHUA)--A special division to handle economic disputes has been set up under the intermediate people's court in the southwest China city of Chongqing (Chungking). The court previously had only a civil and criminal division.

The economic division is empowered to sanction those enterprises and organizations that violate the government's economic rules and regulations and to bring to justice those people guilty of serious offences in economic affairs. Its purpose is to safeguard the socialist economic order and ensure the normal proceeding of economic activities in the area and the fulfilment of state economic plans.

Falling under the jurisdiction of the economic division are major cases that appropriate authorities find difficult to handle through consultation and those in which the parties involved refuse to accept mediation.

A spokesman of the court defined the cases liable to be taken up by its economic division as:

- (1) Those involving breach of contract or failure to carry out contracts conscientiously, causing heavy political or economic losses;
- (2) Serious cases of deception or shoddy work resulting in heavy losses;
- (3) Cases of failure to treat industrial wastes or neglect of operational safety, which can seriously impair the health of workers or peasants or damage public interests;
- (4) Serious cases of neglect of duty that inflict heavy losses on products, commodities, equipment or other public property; and
- (5) Cases of embezzling workers' wages or state funds or theft of equipment causing serious consequences.

Since its inception, the economic division of the Chongqing people's court has handled several cases. The hearings were conducted and the court rulings or verdicts were made in accordance with relevant rules and regulations promulgated by the government previously because the new laws adopted at the latest National People's Congress session are not yet in effect. They will come into force on January 1, 1980.

In one of the cases handled by the economic division, a mosquito-repellent incense factory charged a store of breaking a contract to buy a consignment of such incense from the factory. The store argued that it had refused to buy the incense because the quality was not up to standard.

After investigation, the court confirmed that some of the brands produced by the factory were poor in quality, but that one brand was of adequate quality. It ruled that the store should honour the contract while the factory should supply the store with its best brand. The dispute was thus settled.

In late May, the economic division held a public hearing on a major navigation accident on the Changjiang (Yangtze River). The event occurred when a tugboat towing two barges with full loads arrived at Fengjie, a county below Chongqing, to discharge one barge.

As the sailors were hitching the remaining barge to the tugboat, the barge went out of control and was carried off by the turbulent waters. It hit the tugboat, sinking it and causing a loss of over 300,000 yuan. 14 people were drowned.

Investigations showed the boatswain to have been responsible. Some sailors were also found to have ignored operational rules. The court sentenced the boatswain to three years' imprisonment and gave the first mate and the sailors concerned each one year's imprisonment. All sentences were suspended on condition that the men's work remained satisfactory.

CSO: 4006

GENERAL ECONOMIC INFORMATION

JIANGSU HOLD MEETING ON INDUSTRIAL-ECONOMIC THEORIES

Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 22 Jul 79 OW

[Excerpts] How can we do a good job readjusting, restructuring, consolidating and improving our province's industry and economy and bring them onto the path of sustained, proportionate and high-speed development? A provincial meeting on industrial and economic theories, which was recently held in Nanjing, seriously discussed this question. This meeting was jointly sponsored by the propaganda department of the provincial party committee, the provincial planning and economic commissions and the provincial research institute of philosophy and social sciences.

More than 130 persons attended the meeting, including comrades engaged in practical economic work in various parts of the province and comrades engaged in theoretical research and propaganda work in propaganda departments, theoretical research units, institutions of higher learning and journalistic and publication units.

Comrade Wang Bingshi, standing committee member of the provincial party committee and vice chairman of the provincial revolutionary committee, addressed the meeting.

Comrades at the meeting held that industry has developed fast in Jiangsu. The province's average annual rate of growth in industrial output value has been 11.9 percent during the past 29 years. Its total industrial output value last year ranked third in the country.

However, it should be noted that there are disproportions within the province's industry. The light and textile industries have developed slowly due to lack of investment, while heavy industry has developed too fast because too much capital has been invested in it. The development of the coal and electric power industries, as well as transport and communications, lags far behind that of other industries. The development of the machine-building and processing industries far exceeds that of the raw materials industry.

The meeting discussed the question of how to speed up industrial development in northern Jiangsu and narrow the gap between northern and southern Jiangsu in industrial and economic development.

On the question of expanding enterprises' decision-making power, comrades at the meeting held that this is the central issue in reforming the economic management structure. Reforming the economic management structure should proceed from the expansion of enterprises' decision-making power.

CSO: 4006

GENERAL ECONOMIC INFORMATION

HEILONGJIANG MEETING DISCUSSES TASKS IN TRADE, FINANCE

Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 20 Jul 79 OW

[Excerpts] The Heilongjiang Provincial CCP and revolutionary committees convened a telephone conference of provincial finance and trade departments last night on increasing production and practicing economy. The conference set forth tasks for the second half of 1979 and called on all localities to provide markets with adequate supplies and to improve financial work. Comrade Chen Lei, secretary of the provincial CCP Committee, spoke at the conference.

The conference made the following arrangements for the procurement and supply of agricultural and sideline products, for the supply of nonstaple foodstuffs and for work in urban areas during the coming peak season.

1. Commercial and supply and marketing departments should conduct a survey of market conditions before the coming peak season.

2. We should win three campaigns: First, to continuously provide markets with adequate supplies, particularly of agriculture-oriented materials and nonstaple foodstuffs.

Second, to insure adequate market supplies during the national day period.

Third, to do a good job of procurement and supply during the peak season.

3. We should take decisive measures to insure quick circulation of commodities.

The conference pointed out: There are a number of contradictions in our financial work, reflecting the contradictions in our national economy which is still in the process of readjustment. Whether these contradictions are resolved successfully or not will affect our present as well as future economy. Therefore, all localities and departments must regard the settlement of financial problems as an important link in our drive to readjust, restructure, consolidate and improve the economy. Party and revolutionary committees at various levels should pay more attention to the campaign to increase production and practice economy in the second half of this year and strive to fulfill the revenue quota. We should strive to insure a balanced budget at the provincial, prefectural and county levels, with some surplus if possible.

GENERAL ECONOMIC INFORMATION

UTILIZATION OF TECHNICAL PERSONNEL, EQUIPMENT STRESSED

Applied Computer Technology

Shanghai WEN HUI BAO in Chinese 26 May 79 p 1

[Article: "Computer Operates Round the Clock, Design Work Greatly Accelerated--Chemical Industry Design Institute Makes Positive Efforts Towards Popularization of Applied Technology While Actively Training Technical Personnel"]

[Text] The Shanghai Chemical Industry Design Institute has taken a series of positive measures to popularize applied computer technology and promote modernization of design work.

In 1974, the institute installed a CJ-709 electronic computer. But due to the disruptive and subversive activities of the "gang of four," machine operation was unstable, computing results were unreliable, and for a long period, the computer was constantly under test repairs and trial adjustments, and had never been put to use. Moreover, as the ALGOL compiler (ALCOM) system had not been installed in the computer, the programming had to be done manually, which was extremely inconvenient. People used to call it a "sick machine." To solve this problem, the institute's leadership at all levels attached great importance to the installation of the ALCOM system, and organized a team of maintenance and repair personnel who overhauled the machine in 1977, changing some components and gradually stabilizing the performance of the computer. There was a remarkable improvement in the operating ratio, and the "sick machine" became a "live machine." Last year, the effective operating time reached 5,000-odd hours, and the number of computational problems computed by the machine amounted to over 4,500 man-times. Since the beginning of this year, the average number of computational problems per month reached over 380 man-times. Now the machine can continuously run round the clock and does not stop on Sundays. The computer not only meets the needs of the institute, but can also serve outsiders, and over a hundred units have come to the institute to run jobs on the computer.

The institute uses its computer in engineering computations, which has greatly enhanced work efficiency and accelerated the pace of engineering work. For instance, in civil engineering, 80 percent of the manual

calculation work has been replaced by the computer. In a foreign aid engineering project involving 30,000 square meters of construction, the computation of frames and beams would have taken 372 working days to complete if done manually, but the computer only took 6 working days, and the work efficiency was 513 times higher. In another example related to the field of technology, the computation of the acetic acid recovery tower in Jinshan's first stage project would have taken 80-odd working days manually with no guarantee of accuracy; with the electronic computer, it only took 2 hours, which not only increased the work efficiency by 300 fold, but also produced highly accurate results.

In the course of computer application, the institute also trained a group of technicians. Numerous electronic computer technical application courses were organized. Some 400 persons took part in the studies, and personnel were chosen for training courses in the city and ministry, which helped lay the foundations for designers who were trying to master electronic techniques.

Technical Equipment

Shanghai WEN HUI BAO in Chinese 26 May 79 p 1

[Commentary: "Proper Use and Management of Technical Equipment"]

[Text] From the practice of the Shanghai Chemical Industry Design Institute, we have learned that proper use and management of technical equipment for scientific research is an important part of the drive to increase production and practice economy on the science and technology front.

At present, due to various reasons, some scientific research units as well as departments which support scientific research work have caused some technical equipment to lay idle for a long time. In some places, the utilization rate is very low. The quality of some machines is not up to standard, entailing frequent breakdowns and repairs. There have also been cases in which the equipment was not suitable for the type of specialized job, and consequently became a "dead machine." These and many other cases are instances of total waste. The science and technology front must do better in implementing the guiding policy of regulating the national economy, and set great emphasis on the movement to increase production and practice economy. Good use and management of technical equipment is an important part of this aspect. As the Shanghai Chemical Industry Design Institute stresses electronic computer maintenance, and has trained a group of computer technicians, it has not only successfully transformed their "sick machine" into a "live machine," but has also enabled over a hundred other users to run jobs on its electronic computer. If many units who have electronic computers of their own can follow the example of the Chemical Industry Design Institute, the utilization rate of our technical equipment will increase significantly. This is an effective way of achieving greater, faster, better and more economical results in scientific research work.

While technical equipment for scientific research work should be used and managed with proper care, it is likewise important for production factories to serve the users on their own initiative. As the quality of some of the equipment which had been produced in the past are not up to standard, they have become "dead machines" or "sick machines," thus gravely affecting scientific research work. To solve this problem, the Shanghai Regulator Manufacturing Plant has energetically organized an investigation force to conduct surveys on the situation of their users, and has set up a technical service group to intensify check-up and maintenance of the machines. We should develop the revolutionary spirit of taking the initiative in serving the users, and enable even more electronic computers to serve the four modernizations.

What merits our attention is the fact that at present there are some units and departments who are not only neglecting their "sick machines," but are also making all kinds of demands for this or that. Evidently, it is necessary for the concerned departments to organize investigation forces to call on units who own technical equipment, and adopt measures to remedy existing problems. This is also one of the major tasks which will enable the science and technology front to advance through adjustments and improve through rectification.

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CSO: 4006

GENERAL ECONOMIC INFORMATION

BRIEFS

HANGZHOU DRYING TECHNIQUE--Hangzhou, 22 May--More than 100 industrial plants, mines and other enterprises in Hangzhou Municipality, Zhejiang Province, have adopted and popularized the infrared drying technique in a dozen of trades and professions to conserve electricity. The paint industry was the first to adopt this new technique. It was later introduced to the silk, cotton textile, printing and dyeing and chemical industries, and has now also been adopted by the machinery, electronics and measuring instruments industries as a result of state efforts to popularize its use. Statistics have indicated that the infrared drying technique can save more than 4 million kilowatt-hours of electricity for the state each year in Hangzhou Municipality alone. [Beijing XINHUA Domestic Service in Chinese 22 May 79 OW]

HEBEI SMALL ENTERPRISES--Wuan County, Hebei Province, has built 14 small coal pits, 42 small iron mines, and 625 small factories making bricks, tiles and other products. The total output value in 1978 was 28 million yuan, or 45 percent of the total output value of all industrial and sideline enterprises run by commune and brigades in the county. The county has also built 17 medium and small reservoirs and expanded the irrigated acreage to 400,000 mou. [Beijing Domestic Service in Mandarin 1000 GMT 12 Jun 79 OW]

HEILONGJIANG ECONOMIC MEETING--The Heilongjiang Provincial Revolutionary Committee held a work meeting on assessing capital for production, checking inventories, reversing the trend of losses and increasing profits from 9 to 12 June. Comrade Chen Jianfei, secretary of the Heilongjiang Provincial CCP Committee and vice chairman of the Heilongjiang Provincial Revolutionary Committee, attended and spoke at the meeting. The meeting stressed the need to pay attention both increasing production and practicing economy and called on various enterprises to do a good job in assessing capital for production, checking inventories, reversing the trend of losses and increasing profits so as to speed up development of the national economy. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 13 Jun 79 OW]

XINJIANG CONSTRUCTION MEETING--The Xinjiang regional urban construction bureau recently held in Shihezi a work conference on city construction,

pledging to step up construction of houses, schools, hospitals, stores and public transport as well as tree planting so that the masses of people would not have to worry about their livelihood and concentrate their efforts on realizing the Four Modernizations. Comrade Song Zhihe, secretary of the regional CCP committee and vice chairman of the regional revolutionary committee, attended and spoke at the conference. [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 8 Jun 79 OW]

CSO: 4006

FUELS AND POWER

PIT MOUTH POWER STATIONS TO HELP SOLVE POWER SHORTAGE SITUATION

Beijing RENMIN RIBAO in Chinese 10 May 79 p 2

[Article: "Building Pit Mouth Power Stations Through Concerted Efforts"]

[Text] In the development of the national economy, one good way of solving the power problem is by setting up pit mouth power stations in coal mining areas.

The electric power industry is the vanguard of industry as a whole. The experiences gained in developing the economy of countries around the world indicate that with each 1 percent increase, the national economy requires electric power increases ranging from 1.3 to 1.5 percent. Over the past decade, due to the disruptive and subversive activities of Lin Biao and the "gang of four," plus the weak points in economic work, our country's electric power industry has become a weak link, and many areas throughout the country are short of electricity. If we fail to reverse the electric power shortage situation now, the four modernizations program is bound to be affected. We must take firm steps to rapidly produce electricity.

To develop the electric power industry, it is necessary to proceed from the fact that while the southern part of our country abounds in water resources, the northern part is rich in coal; thus, the guiding policy of adapting measures to local conditions is carried out by combining water with fire. The construction of large-scale pit mouth electric power stations in coal mining areas is an effective means of correcting the current grave shortage of electricity. For example, after the Chengdou River Power Plant was built in the Kailuan Coal Mining District, the Jin-Jing-Tang (Tianjin-Beijing-Tangshan) electric power network rapidly changed the acute power shortage situation which the area had been suffering from over the past several years, and provided initial means of meeting the demands for electricity in the power network areas.

The construction of pit mouth power stations also produces tremendous economic results. In communications and transportation, it can greatly reduce the pressure of transporting coal over long distances, and enables local consumption of low-heat coal which is not worth long-distance transport. As the electric power stations are near the mining areas, they are not limited by transportation conditions, which means that it is quite convenient

to build huge thermal power plants ranging from one million to several million kilowatts. In order to effectively solve the problem of even power distribution, and help all areas to develop their economy in a coordinated manner, in the future we should focus our efforts on building great electric power centers in large coal mining regions, e.g., transmitting electricity from Datong, Shanxi to Beijing and Tianjing; transmitting electricity from Lianghuai, Anhui to Nanjing and Shanghai; transmitting electricity from Pingding Mountain, Henan to Wuhan, etc.

To insure rapid construction of pit mouth power stations, the state must make investments and furnish equipment and materials, construction blueprints must be swiftly drawn up, power transmission networks must be planned, designing and building must be organized, so that those pit mouth power stations which are already included in the state plan can be completed and put into operational mode according to plan.

The construction of pit mouth power stations is inseparable from the development of coal mining bases. Coal and electricity must be developed under a unified plan. As no single department can possibly tackle the construction of pit mouth power stations alone, the state must make overall arrangements. As the construction period of coal mines is generally longer than electric power stations, it is even more important to make the arrangements early, map out the projects early, begin construction work early, and create conditions for power station construction. In order to develop coal mines, build pit mouth power stations and establish inter-provincial electric power transmission, it is necessary to lay down proper economic policies which will give the local areas a certain amount of economic profit. The more coal we mine, the more electric power we will be able to transmit, and the more benefits we will gain. This is conducive to the coal mining regions' industrial and agricultural production, the development of urban construction, and the improvement of the people's living standards. If coals and electricity are not handled this way, the local areas will not be left with piles of ashes and residues, and it will be very difficult to bring into play the initiative of the local areas. It is an important economic policy which must be treated seriously. Moreover, we must take special care to protect the environment; we should combine the development of coal and electricity with environmental protection.

The manufacturing of large generating sets and the construction of long-distance high voltage transmission lines are two technical prerequisites to the development of pit mouth power stations. As the power station equipment manufacturing industry is the back-up force of the electric power industry, it must be adapted to the overall development of the electric power industry, and the two should always coordinate with each other. The manufacturing departments and electric power departments should establish contract systems (i.e. setting fixed plants, fixed quantities, fixed qualities and fixed time; they should organize production, make deliveries on a contract basis, and adopt economic measures to solve their contradictions.

Today, there is a great demand for electricity by industry, agriculture and the people. The electricity storage situation must be changed. Let us work together, concert our efforts, and win the battle of building pit mouth power stations.

FUELS AND POWER

'JIEFANG RIBAO' COMMENTATOR CALLS FOR SAVING ELECTRICITY

Shanghai City Service in Mandarin 2300 GMT 29 Jul 79 OW

[Report on JIEFANG RIBAO 21 July front page commentator's article entitled: "Administer the Use of Electricity as Carefully as We Administer the Consumption of Food Grain"]

[Text] The article says: Electricity is an important energy resource for our socialist construction. Electric power is to industrial production what food grain is to man's life. Man would not live without eating; industry would be paralyzed without electricity.

A glaring problem in the growth of our national economy at present and for a fairly long period to come is the insufficient supply of electric power. To solve this problem it is necessary to step up construction of new power stations, and at the same time all industries and trades must strictly practice economy in the consumption of electricity and put an end to waste.

In order to insure an overall balance in the use of electric power, the article goes on to say, the Shanghai Municipal Revolutionary Committee urged all industries and trades to strengthen the concept of planning, not to consume more electricity than planned and to implement measures for re-adjusting the leading groups in charge of practicing economy. But an investigation conducted by departments concerned in some 2,000 factories of this municipality indicated that 10 percent of these factories did not follow the municipal revolutionary committee's instruction to the letter and that if they had, some 10,000 kilowatt-hours of electricity would have been saved. The investigation has also indicated that great potential can be successfully tapped from per-unit consumption in industrial production. The per-unit consumption of electricity for 62 of the 122 kinds of industrial products examined by the municipality during the first quarter of this year did not drop to the lowest level recorded, and this being the case, 4.5 million kilowatt-hours of electricity were wasted during the period under review.

The article says: To administer the use of electricity as carefully as we administer the consumption of food grain, it is necessary to do a good

job in the "one survey, four-fixing" work. By "one survey," we mean a general survey of the power-consuming units in the municipality, covering every such unit's power-driven machinery and equipment, power load and the purpose of its use of electricity. The survey should also investigate the waste and illegal use of electric power as well as the causes that have led to increases in power consumption. On the basis of the general survey we should fix the voltage for users, the load and the per-unit consumption of electricity as well as the hours of power supply for the users. Only when this job is done well can we have an appropriate estimate of the supply and demand and map out a careful power-consumption plan in accordance with actual conditions. Only thus can we solve the existing problems--by taking effective measures to insure the consumption of electric power in a planned, balanced and economical way.

To administer the use of electricity as carefully as we administer the consumption of food grain, it is also necessary to initiate a strict system for examining the state of power consumption, the article suggests. We must severely criticize those who have no estimates for use of electricity and who willfully waste energy, and we must take resolute measures to correct their wrongdoings.

The commentator's article concludes: The key to success in administering electricity allocated to us lies in the leadership. Leadership at all levels should carry out propaganda among the masses and mobilize them to save electricity as an important part of the movement to increase production and practice economy. Efforts should be made to further consolidate our enterprises, strengthen their management, do careful calculations and make strict budgets, tap potential in production, carry out technical innovation, and administer electricity as carefully as we administer the consumption of food grain.

FUELS AND POWER

BRIEFS

HUABEI OIL CONSERVATION--As a result of strengthening the management of fixed oil quotas, Huabei [north China] oilfield conserved 59,500 tons of diesel oil, 5,300 tons of lubricant oil and 6,500 tons of petroleum oil and retrieved over 2,000 tons of waste oil in 1978. In the first quarter of 1979, the oilfield conserved 5,980 tons of diesel oil, 150 tons of lubricant oil and 340 tons of petroleum and retrieved 360 tons of waste oil. [Beijing Domestic Service in Mandarin 1600 GMT 31 May 79 OW]

LIAONING ELECTRIC POWER SAVING--During the period from January to May, various fronts in Liaoning Province scored great achievements in lowering power consumption and saved more than 259 million kilowatt hours, 55.4 percent of the annual plan for electricity conservation across the province. The achievement made by the province is underscored by such important measures as using far infrared rays and improving automatic control systems. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 21 Jun 79 SK]

PLA UNITS CONSERVE ELECTRICITY--Organs affiliated with the headquarters of the PLA Shenyang units have vigorously grasped the work of lowering power consumption and scored remarkable achievement. In 1977 and 1978, they saved more than 480,000 kilowatt hours, and all of them were named as advanced units of the northeast electric power grid. In the period from January to May 1979, these organs lowered their power consumption by 14.5 percent compared to that of the corresponding period of 1978, and conserved a sum of 126,000 kilowatt hours. [Shenyang Liaoning Provincial Service in Mandarin 1100 GMT 21 Jun 79 SK]

FUJIAN TIMBER WASTE--Fuzhou, 9 Jun--A large amount of timber is used in Fujian Province as fuel for boiling hay, straw and bamboo to make grass-pulp, a raw material for making paper. This practice has caused an alarming waste of the country's timber resources. All 57 paper mills run by prefectures and counties, excluding 3 mills in Fuzhou and other municipalities, have been using grass-pulp for making paper for a long time. In 1978, Fujian turned out 200,000 tons of paper, one half made from wood-pulp and the other half from grass-pulp. Some 400,000 cubic meters of timber is needed to turn out 100,000 tons of wood-pulp paper. However, the province uses 4 million cubic meters of timber as fuel every year. In other words,

the province could turn out over 1 million tons of wood-pulp paper annually if it could use timber burned as fuel. The departments concerned in the province are taking measures to reduce this waste so as to further develop the paper-making industry in Fujian. [Beijing XINHUA Domestic Service in Chinese 0335 GMT 9 Jun 79 OW]

JILIN COAL PRODUCTION--Coal mines under the uniform allocation system in the province are advancing in making readjustments. During the first 5 months, the Tonghua, Shulan, and Jiaohe four mines produced some 200,000 extra tons of extra raw coal, showing an increase of 270,000 tons over the same period last year. The output of dressed coal exceeded the production target by over 30,000 tons. The production plan for tunneling footage for the first half year was prefulfilled by 23 days. [Changchun Jilin Provincial Service in Mandarin 2200 GMT 10 Jun 79 SK]

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MINERAL RESOURCES

BRIEFS

HUBEI COAL PRODUCTION--Hubei's 1978 output of crude coal was 5.8 times greater than that of 1969. [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 27 May 79 HK]

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LIGHT INDUSTRY

MARKETING OF LIGHT INDUSTRIAL PRODUCTS DISCUSSED

Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 1, 15 Jan 79 p 33

[Article in column on Problem Discussion: "Is it Possible to Carry out Trial-Marketing or Self-Marketing of Light Industrial Products?"]

[Text] Whether or not we can carry out trial-marketing and self-marketing of industrial products (especially light industrial products) is a problem worthy of exploration. The purpose of socialist production is to satisfy needs. If the producer can meet face to face with the consumer, it is of advantage to developing production, particularly to the improvement of the product quality. However, in the course of the socialist economic movement, it is necessary to bring into full play the circulatory role of commerce. The following are several different opinions on the question of carrying out trial-marketing and self-marketing of light industrial products. As to how it should be done to better manifest the policy of "developing the economy and ensuring supplies," we need to discuss this further, so we welcome opinions from you all. (Editor's note)

Trial-Marketing of Light Industrial Products Should Be Carried Out Properly

Luo Yaolong [7482 5069 7127] (of the Shandong Provincial No 1 Light Industrial Bureau): A contract on marketing by commercial departments is equivalent to letting the commercial departments say whatever they want. They can ignore and fail to implement plans. When they say they want something, they want something. When they say they do not, they do not. It is impossible to carry out production according to plan. These few years we have run a new product trial-marketing retail sales department. This is because we feel compelled by the commercial departments. When you say you will not market a product, we will trial-market it ourselves. Our opinion is that we should run more trial-marketing retail sales departments. Not only should the province run them, but the prefectures as well. When the masses like what we trial-market, then the commercial departments will make procurements.

Trial-Marketing Should be Carried Out Jointly by the Industrial and Commercial Departments

Liu Jingyuan [0491 2529 0337] (of the native products company of the Shandong Provincial Supply and Marketing Cooperative): In respect to the daily miscellaneous products, while there are not many new products, some old products are lost. Thus, there is no need to run a new product trial-marketing retail sales department. If we want to revive an old product and ask the opinion of the masses, we can learn the method of the textile department, which is to ask for opinions inside the commercial retail sales departments and carry out trial-marketing together. The industrial departments should not carry out wholesales themselves. For those industrial departments that have retail sales departments, more can be marketed under the mutual planning of the industrial and commercial departments.

If Procurement is Not Made and Self-Marketing is Not Permitted, What Will Happen to the Factory?

Li Xingchun [2621 1630 2504] (of the Shandong Provincial No 1 Light Industrial Bureau): The Zhou county porcelain factory produces 2.45 million items, mainly rice bowls, annually. In the past, the products were procured by the county native products company. In May last year, the Zhou county porcelain factory and the county native products company signed a product marketing contract, stating the kinds and quantity of goods which the native products company would promote in one quarter. Until the third quarter of last year, under the pretext of large stocks and too much stockpiling, the native products company did not make any more procurement. If it made procurement, then it found it necessary to reduce the prices. In the actual situation, while the native products company said there was too much stockpiling, the basic-level supply and marketing shops said supply was deficient. In order to solve the market supply problem and satisfy the needs of the masses, the basic-level supply and marketing shops secretly procured goods from the porcelain factory in a roundabout way, and even covered up the products for fear of being discovered. The Zhou county porcelain factory dispatched special personnel to the supply and marketing cooperatives and delivered the porcelain wares to their doors and to the doorsteps of the poor and lower-middle peasants. They sold over 70,000 pieces on 5 occasions. Some supply and marketing cooperatives even asked for over 40,000 rice bowls in one order. The method of the Zhou county porcelain factory won the warm welcome of the masses. An old lady said, after she had bought four rice bowls: "There are six, seven people in my family, and only three rice bowls. Today, we've our rice bowls." Because the county native products company did not procure the products of the county porcelain factory, the countryside on the one hand was unable to obtain rice bowls, and the porcelain factory, on the other hand, was led to stockpile its products. In October last year, the porcelain factory already piled up over 800,000 rice bowls and 150,000 pieces of tea sets, amounting to 200,000 yuan of fluid capital. The factory was unable to buy raw materials, repair its machinery equipment and pay its workers. The county native products company was much dissatisfied with the porcelain factory's act of delivering goods and

selling them, and publicly said that the basic-level supply and marketing cooperatives were not allowed to buy the products which the factory delivered to the countryside. If it did not make procurements and forbade self-marketing, then the factory would be in danger of being forced to stop production.

Self-Marketing on Products Within the Plan Should Not be Carried Out

Ma Zhizhen [7456 1807 6297] (of the Shandong Provincial Commercial Bureau): Some factories carried out trial-marketing of their products. This plays an effective role in raising the product quality and increasing the varieties. But some problems also exist which have not been properly solved all along. Some contradictions exist between commerce and industry. The purpose of trial-marketing new products is to satisfy the needs of the masses. But in reality, trial-marketing becomes, for the industrial departments, a transformed manner of self-marketing and backdoor marketing. Some cases show that such urgent products as wooden clocks and soap of Yantai, and the Daminghu brand thermos flask of Jinan, should not be self-marketed, but they were. Now the self-marketing volume of the papermaking industry is very large and yet the commercial departments are unable to fulfill their procurement plans. It was estimated that paper production could be fulfilled by the end of 1978. But only 50 to 60 percent of the procurement plan for paper of the commercial departments was estimated to be fulfilled. This seriously affected the sale of the market. Now the provision of paper for student notebooks was barely arranged, but contradictions were still very prominent in the use of paper for printing, paper for making calendars and paper for making account books. There were vehement opinions from below.

How should trial-marketing of products by industrial departments be carried out in the future? I believe that: 1. It is necessary to strengthen planning. Whatever is listed in the plan should be realized. The industrial departments should not engage in self-marketing products that are listed in the plan. 2. We must look before and after when we fix the price for trial-marketing. An overall consideration should be conducted and the approval of the higher level should be obtained. Now the trial-marketing price is often low, and it is raised when the product is handed over to the commercial departments for sale. The masses have expressed opinions in this respect. The trial-marketing price for a product should be equivalent to the price level established by the commercial departments in public. 3. The trial-marketing of all products that belong to package-marketing by commercial departments should best be handled by the industrial and commercial departments. The industrial departments can self-market the products selected for procurement.

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LIGHT INDUSTRY

BRIEFS

SICHUAN LIGHT INDUSTRY--Light industry in Sichuan Province is making rapid progress in production. Total output value of the light industry during the first four months of this year increased by 12.7 percent over the same period of last year. The total output value of Sichuan's light industry in 1978 increased by 60 percent over 1976. [Beijing Radio in Mandarin to Taiwan 1500 GMT 5 Jun 79 OW]

HUNAN COUNTY'S LIGHT INDUSTRY--Nan County has run altogether 204 light industry enterprises such as textile, paper making, wine making, sugar refinery, shoe making, printing, furniture making, garment making, hardware, battery production, processing of foodstuffs, handicraft and weaving and so on. They have employed some 12,300 staff and workers. There are now altogether some 670 light industrial products in the county. The value of commodities supplied by the light industries to the markets has amounted to over 45 percent of the total sales of industrial products for people's livelihood in the county. [Changsha Hunan Provincial Service in Mandarin 2315 GMT 17 Jul 79 HK]

ZHEJIANG CITY INDUSTRY--Hangzhou Municipality has made efforts to increase light industry output. In the first 4 months of this year, output of 24 of the 33 major industrial products manufactured in this city increased by a rather large margin over the same period last year. Hangzhou's light industry has also successfully trial-produced a number of new products including a power-driven multipurpose sewing machine and a light-weight bicycle. [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 20 May 79 OW]

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DOMESTIC TRADE

BRIEFS

QINGHAI INDUSTRIAL-COMMERCIAL CONFERENCE--A provincial conference on industrial and commercial administration and management was recently held in Xining. At the conference, questions of urban and rural trade and market management were earnestly discussed. Since the beginning of this year, urban and rural trade fairs have become more active. Some 69 trade fair centers are scattered across the province, and they play an active role in developing the rural economy, promoting farm and animal stock production and providing conveniences to the people. The conference called for giving a free hand to developing trade fairs so that they would play a still more active role in the provincial economy. It also urged strong measures to check capitalist activities that undermine the socialist economy. It also called on industrial and commercial administrative departments in various places to strengthen control over the issuance of trade marks. [Xining Qinghai Provincial Service in Mandarin 1100 GMT 17 Jun 79 OW]

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TRANSPORTATION

'TIANJIN RIBAO' PRINTS 'XINHUA' REPORTER'S LETTER ON SHIPPING 'CHAOS'

Tianjin City Service in Mandarin 2330 GMT 20 Jul 79 SK

[Excerpts] TIANJIN RIBAO 21 July carries a letter from XINHUA reporter (Shi Guo). The letter points out that chaos in ocean shipping must be stopped.

The letter states: Recently, while gathering news on Xingang harbor in the area of Tanggu in Fianjin, I learned of the following incident:

Last year the Baoshan iron and steel general company in Shanghai bought a batch of excavators from abroad. According to the plan, these excavators were to be shipped to Shanghai in July. But, inadvertently, these excavators were not unloaded at Shanghai harbor, and instead, were shipped to Tianjin harbor. It was then planned that they would be transferred to Shanghai by train. But because there were no available railway wagons, these excavators could not be delivered to Shanghai for several months. Finally, after being approved by leading comrades of the state council, railway wagons were dispatched to Tianjin harbor and the excavators were transferred to Shanghai in late October. The difficulty in delivering these excavators not only delayed the construction of the Baoshan iron and steel company but also wasted some 58,900 yuan of the state in transferring them and storing them at the harbor.

As far as I know, such incidents are common occurrences in transportation of imported goods.

The letter states: To halt such an irrational situation as quickly as possible, comrades of the Tianjin harbor administration bureau offered some positive suggestions. They held that supply, foreign trade, transportation and other leading departments should make a firm determination to overcome the workstyle of old feudal government offices, change the ways of management of handicraft industry, learn from the advanced foreign experiences in ocean shipping administration, conduct in-depth investigations of the actual situation of our country, establish and improve rules and regulations for transportation and strive to raise transport effectiveness. They also held that departments and individuals concerned who cause serious

mistakes or waste in their work because of neglect of duty should receive economical punishment in accordance with their cases and that criminal law breakers should be held responsible for their crimes.

They also stated that units responsible for receiving the imported goods should draw the goods within a certain period after they arrive, as stipulated and that harbors should be authorized to impose economic sanctions against those which do not do so and occupy harbor warehouses for long periods as if they owned them.

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TRANSPORTATION

BRIEFS

HEBEI RAILWAY SWITCHYARD--The Shijiazhuang railroad yard in Hebei has recently built a mechanized switchyard to handle the arrival, organization and dispatch of trains. The new switchyard can handle 11,483 coaches and organize 254 freight trains daily. The new switchyard will play a vital role in further improving the transport capability of the entire Beijing-Guangzhou railway trunk line and speeding up the shipment of Shanxi Province's coal to other localities. [Beijing Domestic Service in Mandarin 1000 GMT 11 Jun 79 OW]

SHANDONG TRANSPORTATION--The Shandong Province economic commission and communications bureau, the Jinan railway bureau and the Shandong branch of the China People's Bank recently held a provincial joint transportation work conference in Yantai Municipality to exchange experiences of advanced units and discuss how to push joint transportation work forward in the province. Attending the conference were responsible persons of the provincial economic commission and communications bureau, the Jinan railway bureau, the provincial navigation and harbor administrative bureaus and representatives of eight advanced units including Qingdao joint transportation command and Heze Prefectural motor vehicle transportation company. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 1 Jul 79 SK]

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